Final Report

Assessment of Household Saving Behaviour and Access to Financial Services in Malawi

Prepared by

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Submitted to:

OPPORTUNITY INTERNATIONAL BANK OF MALAWI

October 2010

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LIST OF ACRONYMS

CDH	Capital Discount House
CUMO	Concern Universal
GDP	Gross Domestic Product
FINCA	Foundation for International Community Assistance
FMB	First Merchant Bank
LDC	Least Developed Country
MARDEF	Malawi Rural Development Fund
MASAF	Malawi Social Action Fund
MFI	Micro Finance Institution
MK	Malawi Kwacha
MRFC	Malawi Rural Finance Company
MSB	Malawi Savings Bank
NABW	National Association for Business Women
NBS	New Building Society
NBM	National Bank of Malawi
OIBM	Opportunity International Bank of Malawi
RBM	Reserve Bank of Malawi
SACCO	Savings and Credit Cooperative Society

ACKNOWLEDGEMENTS

1. INTRODUCTION

This report presents findings of a study that carried between July and August to assess household saving behaviour and access to financial services in Malawi. This study was commissioned by the Opportunity International Bank of Malawi (OIBM). The aim of the study was to assess their income sources and levels as they may relate to savings behaviour. Despite the fact that the study was largely quantitative in nature, some anecdotal information was also collected as a way of triangulating the results from quantitative results.

This report provides detailed results of the study including some practical recommendations that would help OIBM to expand its operations and widen the market share in the delivery of financial services in the country.

1.1 Background to Opportunity International Bank of Malawi

The Opportunity International Bank of Malawi (OIBM) opened its doors in Malawi as a commercial microfinance bank in May 2003. The Opportunity International Network is comprised of regulated formal financial institutions and non-profit NGOs serving economically challenged families with microfinance. Its services include small loans, small savings accounts and micro-insurance. Opportunity International builds, owns, and operates microfinance banks. With Supporting Partners in Australia, Canada, Germany, the United Kingdom, and the United States of America, Opportunity International manages investment divisions and a Loan Guarantee Fund.

Opportunity International Bank of Malawi (OIBM) is a member of the Opportunity International Network. OIBM is dedicated and committed to providing the highest level of financial products and services to its clients - with an unwavering focus on the marginalized among the economically active Malawians. Its performance and success will be measured against a non-negotiable triple bottom line of:

- **Outreach**: commitment to reaching the greatest possible number of the economically marginalized (especially women) both in urban and rural areas of Malawi.

- **Profitability**: to provide highly valued, quality financial services to its clients, which ensure an appropriate return to the shareholders.

- **Transformational impact**: to provide opportunities for those living in poverty to improve their lives economically, socially and spiritually.

1.2   Savings Mobilization

OIBM has the goal to create a holistic transformation in the lives of its customers. Savings is an important part of its operations as it is part of financial growth to its customers. It gives people the opportunity to keep their money safe and opens possibilities to become more financially independent. In Africa there is a specific focus on savings in rural areas. Existing products are being introduced by opening outlets in rural areas and introducing the mobile bank (bank on wheels).

Recognizing the possible gap between the potential saving ability and the actual saving behaviour of households in Malawi, OIBM instituted a study which was carried out in selected districts of the country. The main objective of the study was to understand households' main livelihood activities in different clusters, that is, rural, urban and peri-urban areas, income levels and uses, savings behaviour and access to financial services.

This report provides detailed results of the study including some practical recommendations that would help OIBM to expand its operations and widen the market share in the delivery of financial services in the country.

1.3   Purpose and Scope of the Study

The research was planned with the main objective of finding out the main livelihoods activities among urban, peri-urban and rural households in Malawi. The aim was to assess their income sources and levels as they may relate to savings behaviour. The study further assessed households' knowledge and access to financial services in the country.

Key Research Question:

The research tried to answer the following key questions:
- What are the main livelihood activities among households in the urban, peri-urban and rural areas in Malawi?
- What are their income levels?
- What periods of the year do they earn the highest among of money?
- Do they have any means of making savings?
- If yes, what are the main forms of savings and what explains their choice?
- For those that do not make savings with banks, what are the main reasons that explain their behavior?
- Under what conditions would they make savings with banks?
- Do households experience periods of peak cash needs?
- What explains these cash needs?

- What knowledge of financial institutions do they have and their level of access?

These are some of the key questions that guided the study.

1.4 LITERATURE REVIEW

Household Savings Behavior and Access to Financial Services

Household savings literature is based on two major hypotheses. Following the pioneering work of Keynes which defines savings as a linear function of income, the first major breakthrough in savings literature is the permanent income hypothesis of Friedman. This hypothesis differentiates permanent and transitory components of income as determinants of savings. Permanent income is defined in terms of the long-term income expectation over a planning period and a steady rate of consumption maintained over lifetime given the present level of wealth. The second major contribution to savings literature comes from Ando and Modigliani's life cycle hypothesis, whose basic assumption is that individuals spread their lifetime consumption evenly over their lives by accumulating savings during earning years and maintaining consumption levels during retirement (Muladogru and Taskin, 1996).

Household saving is usually the largest component of domestic saving in developing countries, especially the lower income, predominantly agricultural Least Developed Countries (LDCs). This contrasts with the much greater importance of corporate saving in developed countries. The ability, willingness, and opportunity of households to save over time can therefore significantly influence the rate and sustainability of capital accumulation and economic growth in developing countries (Lamberte and Bautista, 1990). Understanding the nature of household savings behavior is therefore critical in designing policies to promote savings and investment.

Fernando (2007) in his excellent paper titled "Low Income Households' Access to Financial Services" observes that in developed economies, formal financial sectors serve a majority. For example, 99% of the population of Denmark, 96% of the population of Germany, 91% of the population of the United States of America, and 96% of the population of France has a bank account. The opposite is true, unfortunately, for developing countries as the World Bank (2009) reports for example that in Chad, one of the world's poorest countries, there are barely nine bank accounts per thousand adults. According to the World Savings Banks Institute (2004), only 20% of the population in most developing economies has access to formal financial services.

Although this is the case, Burrit (2006) observes that millions of poor, vulnerable, non-poor, and unbanked households want financial services. They

seek a diverse range of services including loans, savings, insurance, remittances for funds transfer, and payment services. Households use financial services to build incomes, mitigate risk, and protect against vulnerability often exacerbated by economic crises, illness, and natural disasters. Fernando (2007) adds to say that lacking access to the kind of products and convenient services they require from formal sources, many households keep their cash at home, with informal savings clubs or in the form of various nonfinancial assets such as livestock. He further observes that households also rely on self-savings or informal sources to finance investments and smooth consumption.

It is worthy to note that the financial sector can contribute to income growth. A high performing financial sector has the following functions: it mobilizes savings and ensures that savings are allocated to users of capital who put it to its most productive activities; it enables risk sharing among investors; and it provides an efficient payments system to facilitate financial transactions. Thus, a sound financial system makes transactions quicker, cheaper, and safer, because it avoids cash or barter payments. In addition, greater access to financial services enables poor people to plan for the future and invest in land and shelter, and utilize productivity enhancing assets, such as fertilizer, better seeds, machinery and other equipment. In accumulating financial assets and availing themselves of insurance to smooth their income, households and small firms can greatly reduce their vulnerability to unfortunate events such as economic instability, drought, disease, or death. (Claessens and Feijen, 2006).

Burrit (2006) adds to say an efficient, functioning financial sector contributes to a country's development measured by overall economic growth, income growth per capita, and decreasing income inequality. Countries with more developed financial markets that offer a range of financial services, efficient prices, and effective risk transfer mechanisms and greater financial depth (measured by the ratio of liquid liabilities to GDP) have grown faster than countries with less developed financial markets. For example, the percentage of liquid liabilities to GDP was 18% in Malawi in 1998, compared to 122% in Japan and 65% in the United States.

Fernando (2007) therefore argues that given that inclusive development is a widely accepted development objective, the lack of access to finance for a majority of the population must be considered a fundamental flaw in the formal financial systems because it reinforces the vicious circle of both income and non-income poverty. Thus access to finance, though not a magic bullet by any measure, could play a potentially significant role in efforts to reduce poverty as the rich, poor households can benefit from credit, savings, payment and insurance services, and money transfer facilities.

Although measuring demand for financial services is an imprecise exercise (Burrit, 2006) and reliable and up to date data on different dimensions of access are scanty (Fernando, 2007), the FinScope Malawi study (2008) revealed

that, more than half of the adult population of Malawi (55%) manage their lives without using any kind of financial product (formal or informal) and of those Malawians that are financially included (45%), an equal number are using banks (42%) are using informal mechanisms (42%),19% of individuals are banked, 7% use a financial product from a formal financial institution other than a bank (predominantly microfinance institutions) and 19% make use of the informal financial products and/or systems available to them. Amongst the adult population there is a slight bias towards men, 21% of men are formally banked versus only 17% of women. In total, 25% of the adult population is using the informal sector; of those people 6% are also using products from the formal sector. Included in the informal sector are those people who are borrowing from employers, people who are getting credit at shops, farmers who are receiving inputs from processors or input suppliers as credit and members of community-based organizations such as the church, and farmers' organizations.

However, according to the World Bank (2009), the poorest people in many countries, of which Malawi is one, do not use the banking system because they do not have enough money to make it worthwhile and banks may not find it worthwhile to provide them. In Malawi for example, 65% of the population lives below the poverty line, with the rural poor being particularly vulnerable. Malawians seek safe savings facilities, payment services, and access to credit and insurance to build assets, increase income, reduce vulnerability, and maintain consumption for food and other services during lean periods (Burrit, 2006).

But according to the FinScope Malawi survey (2008), just over 1.15 million Malawian adults are banked and 48% of the banked respondents were women. The overwhelming reasons why people do not have bank accounts are income-related – 54% of individuals responded that they did not need an account since they did not have enough funds; a further 44% said that they had insufficient funds after their expenses for a bank account. Then a further 21% cited perceived affordability as the key reason for not having a bank account i.e. they could not afford the minimum balance required to open or keep a bank account. The above affordability issues seem to be more important than bank charges as a barrier to people having a bank account since less than 5% cited high bank charges as a key reason. Physical accessibility is cited as only a minor reason why respondents had not opened bank accounts (less than 10%), however since the majority of individuals tend to take public transport to reach a bank (45% of those banked), cost of access is also likely to be an issue.

In addition to the above reasons for being unbanked, the World Bank (2009) observes that having no formal jobs means no stable income and therefore little reason to use a bank. The surest way to increase popular use of formal banking services is thus to raise incomes, an assertion which Loayza et al (2000) tend to agree with by reporting that several multivariate cross-country studies of saving find that the level of real per capita income positively affects saving

rates. But some small, practical steps can bring the benefits of banking to more people. Making it easier to open an account is a good example. In many countries however, opening an individual bank account is neither simple nor cheap. More stringent know-your- customer requirements that have taken effect in recent years have contributed to this situation, suggesting trade-offs between the need for regulatory precautions and desirability of expanding popular access to banking services.

On-going maintenance fees also reduce the number of bank accounts. Banks levy many other charges, such as fees for a check book or an ATM card. Countries where banks follow this practice, Malawi inclusive, tend to have lower rates of bank access, even after controlling for income. Potential bank clients who may shrug off modest account-opening fees are likely to dislike paying a variety of fragmented charges for other items, as this may make banking appear more complicated (World Bank, 2009). For money transfers therefore, according to Fernando (2007), they use informal mechanisms. In general, the effective prices that the poor and low income households pay in informal markets for these services tend to be high and many people who save cash in informal markets suffer significant losses. Those who borrow from informal commercial credit markets often have to pay very high interest rates and are unable to get medium- to long-term loans and in addition, informal markets are inefficient in financial intermediation.

Fernando (2007) hence concludes to say while many admit the drawbacks of informal sources of financial services, their extensive nature and persistent role in meeting the demand for financial services among low-income households confirm beyond any doubt the importance of financial services in the lives of these households. Also, the widespread existence of informal markets confirms the fact that there are important supply-side constraints in the formal financial system on the access to financial services for those at the low end of the market.

2.0 METHODOLOGY

The research mainly adopted a quantitative approach to collecting data from the study areas. A structured questionnaire with the majority of the questions open ended to provide a wide range of responses from the people interviewed was prepared for collecting data. The study covered all the three regions of the country. The selection of sites was guided by the client and stratified into three levels as follows:

1.	Urban areas: Defined as all the four cities of the country; being Blantyre, Lilongwe, Mzuzu and Zomba.

2.	Peri-urban areas: Defined as the Bomas or District Headquarters.

3.   Rural areas: Defined as the Trading Centres and the surrounding rural communities.

However, due to the large list of sites that were studied, these have were summarized by district but the analysis was done following the three levels of stratification described above.

2.1   Sampling Frame and Sample Size

The research planned to interview a total of 2000 respondents. These were randomly sampled around the various study sites. The summary of the sample size by district is given in Table 1 below.

Table 1: Number of Respondents by District

District	Frequency	Percent
Chitipa	49	2.6
Karonga	98	5.1
Mzimba	145	7.6
Mzuzu	95	5.0
Nkhata-Bay	44	2.3
Rumphi	48	2.5
Total - North	**479**	**25.2**
Dedza	100	5.3
Dowa	74	3.9
Kasungu	141	7.4
Lilongwe	404	21.2
Nkhotakota	69	3.6
Salima	49	2.6
Total - Center	**837**	**44.0**
Blantyre	196	10.3
Mangochi	96	5.0
Mulanje	101	5.3
Mwanza	17	0.9
Ntcheu	77	4.0
Zomba	101	5.3
Total - South	**588**	**30.8**
SAMPLE TOTAL	**1904**	**100.0**

The summary by cluster is as shown in Table 2 below.

Table 2: **Number of respondents per cluster**

Cluster	Frequency	Percent
Rural	870	45.7
Urban	540	28.4
Peri-urban	494	25.9
Total	**1904**	**100.00**

3.0   STUDY RESULTS AND DISCUSSIONS

The study focused on two main areas: i) Household income saving behaviour, and ii) household access to financial services. However, the study also explored main household livelihood activities as they relate to sources of income within a background of demographic household characteristics. The report has therefore been sub-divided into four main sections as follows:

i)   Household Demographic Characteristics
ii)   Main Livelihood Activities and Income
iii)   Household Saving Behaviour
iv)   Household Access to Financial Services

3.1   Household Demographic Characteristics

The study results showed that out of the 1901 valid responses, 52.9 percent of the respondents were female while 47.1 percent were male. When data were analyzed by cluster, the results were relatively similar. In rural areas, 52.2 percent of the respondents were female and 47.8 percent were male; in urban areas a slightly higher percentage of the respondents (53.1 percent) were female and 46.9 percent male. And in the peri-urban areas, a much higher percentage of the respondents (54.0 percent) were female and 46 percent were male. It is noted that the sample distribution did not vary quite significantly between men and women across the clusters. See Table 3 below

Table 3: Sex of Respondents by Cluster

| Sex | Cluster | | | | | | | |
| | Rural | | Urban | | Peri-urban | | Total | |
	Freq	% within Cluster	Freq	% within Cluster	Freq	% within Cluster	Freq	% within Total
Male	415	47.8	253	46.9	227	46.0	895	47.1
Female	454	52.2	286	53.1	266	54.0	1006	52.9
Total	869	100.0	539	100.0	493	100.0	1901	100.0

The average age of the respondents was 35.5 years. This was 37.2 years for the rural areas; 33.3 years for the urban areas and 35.0 years for the peri-urban areas. It was found that the majority (80.3 percent) of the respondents were married. This was consistent in all the three clusters however with the highest percentage (83.2 percent) of the respondents in the rural areas who reported that they were married. See Table 4 below

Table 4: Marital Status

	Cluster							
	Rural		Urban		Peri-urban		Total	
Marital status	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within total
Single	50	5.8	73	13.6	41	8.4	164	8.7
Married	722	83.7	402	74.7	402	82.0	1526	80.7
Divorced	40	4.6	24	4.5	20	4.1	84	4.4
Widowed	48	5.6	34	6.3	25	5.1	107	5.7
Widower	3	0.3	5	0.9	2	0.4	10	0.6
Total	**863**	**100.0**	**538**	**100.0**	**349**	**100.0**	**1891**	**100.0**

With regards to the size of the household, the results showed an average household size of 5.3 in the rural, 5.2 in the peri-urban areas and 5.0 for the urban areas. The overall average household size was 5.2. These statistics were slightly higher than the national average of 4.4 according the NSO (2008) Population and Housing Census results.

The education level results revealed that 20.6 percent of the respondents had reached Standard 8 followed by those who reported that they had reached Form 4 (20.3 percent) and 7.7 percent reported that they had never been to school. On the other hand, analysis by cluster results showed that the education level was far much better among urban respondents where 26.7 percent of them reported that they had reached Form 4 compared with peri-urban areas (25.5 percent) and rural areas with only 13.3 percent of the respondents who had reached Form 4. On the other hand, the second highest percentages were recorded for those who had reached Standard 8 with 23.4 percent of the respondents in peri-urban areas, 20.1 percent rural areas and 18.6 percent in urban areas. It is also interesting to note that the highest proportion of respondents who said had never been to school was recorded in the rural areas with 11.7 percent of the respondents followed by peri-urban (6.3 percent) and 2.7 percent for the urban respondents. See the details in Annex A1 attached.

3.2 Main Livelihood Activities and Income

The results from the study revealed that the main bread winner was the husband (51.3%). The highest percentage was reported in urban areas (54.5%) followed by the rural areas (51.7%) and peri-urban areas in the third position with 52.6 percent of the responses. However, about a third (30.9%) of the respondents reported that both the husband and wife were bread winners. The highest percentage among them was reported in the peri-urban areas (36.0%); followed by rural areas (31.7%) and in the last position were the urban areas

with 24.9 percent of the responses. See Table 5 below. Table 6 that follows shows the main decision maker in the household on financial matters. It is noted that the wife plays a very little role by herself but takes part in making decisions on financial matters jointly with the husband.

Table 5: Bread Winner in the Household

	Rural		Urban		Peri-urban		Total	
Bread Winner	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster
Husband	439	51.7	274	54.5	218	47.0	931	51.3
Wife	53	6.2	42	8.3	21	4.5	116	6.4
Both	269	31.7	125	24.9	167	36.0	561	30.9
Alone	88	10.4	62	12.3	58	12.5	208	11.5
Total	**849**	**100.0**	**503**	**100.0**	**464**	**100.0**	**1816**	**100.0**

Table 6: Decision Maker on Financial Matters in the Household

	Rural		Urban		Peri-urban		Total	
Decision maker	Freq	% within total	Freq	% within total	Freq	% within total	Freq	% within total
Husband	358	42.3	201	40.0	151	32.8	710	39.2
Wife	60	7.1	63	12.5	20	4.3	143	7.9
Both	339	40.1	176	35.1	233	50.5	748	41.3
Alone	89	10.5	62	12.4	57	12.4	208	11.5
Total	**846**	**100.0**	**502**	**100.0**	**461**	**100.0**	**1809**	**100.0**

The main livelihood activity overall was small-scale business (31.8%) followed by formal employment (25.9%) and farming was reported in the third position with 18 percent of the responses. However, it is interesting to note that farming was the most import source of livelihood in the rural area (32.6%) while in the other two clusters; it takes a very limited role with 10.9 percent of the responses in the peri-urban areas and only 1.9 percent in urban areas. See Table 7 below

It should be noted that the results above are explained by the fact that the sampling was done around trading centers expanding into farming communities hence the dominance of small-scale businesses as the main livelihood.

Table 7: Main Livelihood Activity by Cluster

Livelihood Activity	Rural Freq	Rural % within cluster	Urban Freq	Urban % within cluster	Peri-urban Freq	Peri-urban % within cluster	All Freq	All % within cluster
Farming	251	32.6	10	1.9	38	10.9	299	18.0
Small scale business	219	28.4	181	33.6	127	36.5	527	31.8
Formal employment	116	15.0	226	41.9	87	25.0	429	25.9
Crop sales	75	9.7	4	0.7	12	3.4	91	5.5
Casual labour	63	8.2	54	10.0	23	6.6	140	8.4
Big business	33	4.3	49	9.1	49	14.1	131	7.9
Real estate	10	1.3	15	2.8	11	3.2	36	2.2
Livestock sales	4	0.5	0	0.0	1	0.3	5	0.3
Total	**771**	**100.0**	**539**	**100.0**	**348**	**100.0**	**1658**	**100.0**

The study results reveal that the highest income earners among the various livelihood activities are those that own big businesses. The overall annual average income is reported to be MK1,456,259 (about US$9708.39)[1]. This is followed by formal employment with MK357,300 (about US$2382) and in the third position is crop sales with MK311,230 (US$2074.87). Mean annual income from big businesses is statistically higher than income from all other sources at 5% level of significance. See the rest in Table A2 in the annexes.

On the other hand, when mean annual incomes were analyzed by bread winner, it is noted that the mean annual income earned by a household with both husband and wife as bread winners is statistically higher than that from the households where only the husband or wife is the sole bread winner. Average annual income from households where there is only one bread winner (either husband/wife or alone are statistically not different at 5 percent level of significance. These data are shown in Table 8 below.

Table 8:   Total annual income by bread winner

Bread Winner	n	Mean	Std. Deviation	Std error
Husband	900	334620.2	1076269.526	35913.64731
Wife	111	214544.7	283654.4531	26923.28922
Both*	542	521025.6	1534448.654	65910.21333
Alone	204	281546.6	699566.8045	48979.47319
Total	**1757**	**378374.5**	**1179022.711**	**28143.0313**

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[1] Exchange rate of MK150 to US$1.00 – October 2010

The highest percentage (23.8 percent) of respondents fell under the income range of MK200,001 – 500,000, followed by those with incomes between MK100,001 – 200,000 with 22.4 percent of them and in the third position were those falling between the income range of MK50,001 – 100,000 with 19.2 percent of the respondents. This means that 65.4 percent of the respondents fell between MK50,000 and MK500,000. See Table 9 below for the details

Table 9: Total Income of Respondents by Cluster

	Rural		Urban		Peri-urban		Total	
Income categories	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster
MK0-20000	100	11.5	34	6.3	35	7.1	169	8.9
MK20001-50000	138	15.9	36	6.7	39	7.9	213	11.2
MK50001-100000	185	21.3	100	18.5	81	16.4	366	19.2
MK100001-200000	190	21.8	147	27.2	89	18.0	426	22.4
MK200001-500000	151	17.4	139	25.7	164	33.2	454	23.8
MK500001-1000000	65	7.5	54	10.0	56	11.3	175	9.2
>MK1000001	41	4.7	30	5.6	30	6.1	101	5.3
Total	**870**	**100.0**	**540**	**100.0**	**494**	**100.0**	**1904**	**100.0**

Respondents were also asked whether they received any remittances. The majority (82.2 percent) of them said no compared with 17.8 percent who said yes. This was reported by 85.0 percent, 78.5 percent and 81.5 percent, in the rural, urban and peri-urban areas, respectively. For those who indicated that they received some remittances, 54.9 percent of them indicated that they received these remittances irregularly, 29.7 percent said 3-4 months and 15.4 percent indicated that they received remittances every month.

The sums of money that they received each time were relatively small. Among them, 51.9 percent received more than MK5000, while 23.3 percent of them said they received between MK1001 and MK3000 and 15.0 percent received between MK3001 and MK5000 and finally, 9.8 percent reported that they received less than MK1000. For those who said yes, when the data were analyzed by income category received per annum, 71.4 percent for those receiving less than MK1000, 84.0 percent (MK1001 – 3000); 88.2 percent (MK3001 – 5000) and finally, 86.0 percent received more than MK5000.

This means that much of the money that respondents reported was from their own productive activities such as small-scale business and crop sales as reported above.

Table 10: Percentage of Respondents who receive Remittances

Response	Rural		Urban		Peri-urban		Total	
	Freq	%	Freq	%	Freq	%	Freq	%
Yes	129	15.0	115	21.5	91	18.5	335	17.8
No	732	85.0	419	78.5	400	81.5	1551	82.2
Total	861	100.0	534	100.0	491	100.0	1886	100.0

The months when households have the highest incomes are during the middle part of the year. These are June (36.0 percent), July (32.3 percent) and May with 25.2 percent of the respondents. For the highest month (June), the results are consistently the same for all the three clusters with peri-urban respondents registering the highest responses (41.1 percent) followed by rural areas with 37.8 percent of the respondents and lastly urban respondents with 28.5 percent. See Figure 1 below and Table A3 in the annexes. It should be noted that these months represent the peak period when most of the agricultural sales take place in Malawi. It is also confirmed through the analysis that the main source of income during this period is crop sales followed by small-businesses. It could be deduced therefore that farming or crop sales dictate the income pattern among the respondents.

Figure 1: Months of Highest Cash Income
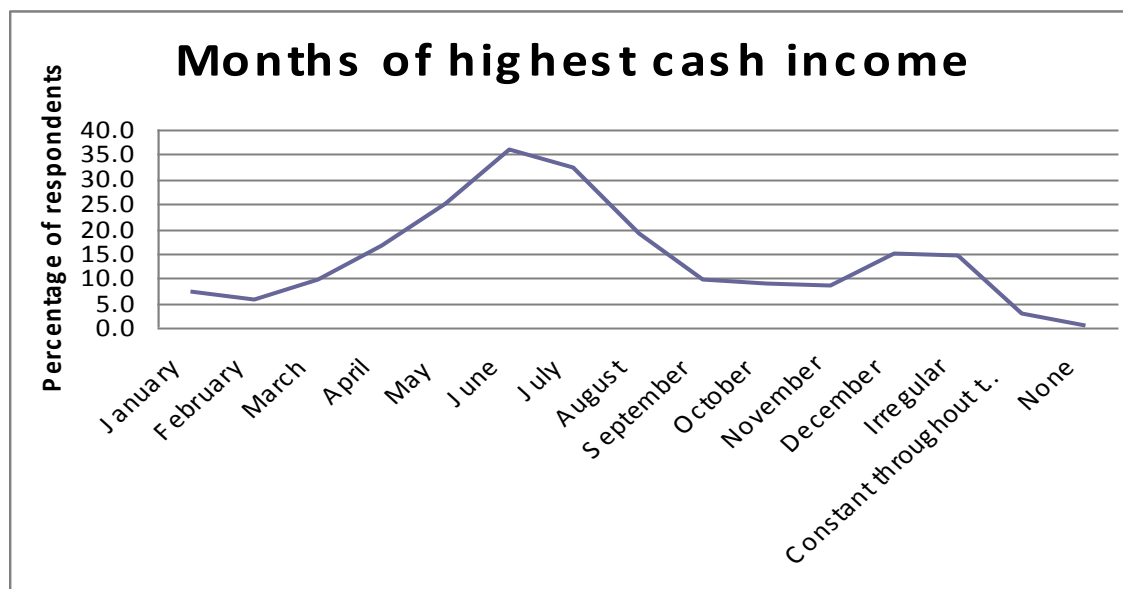
When asked what they did with these high cash incomes, the majority (58 percent) reported that they bought household necessities. This was followed by invest in a business with about 23 percent of the respondents and save in the bank was reported in the third position (about 16 percent). The rest of the responses could be seen in Figure 2 below.

Figure 2: Use of Income when they get highest Income

What resondents do when they have large sums of money

(Percentage of respondents)
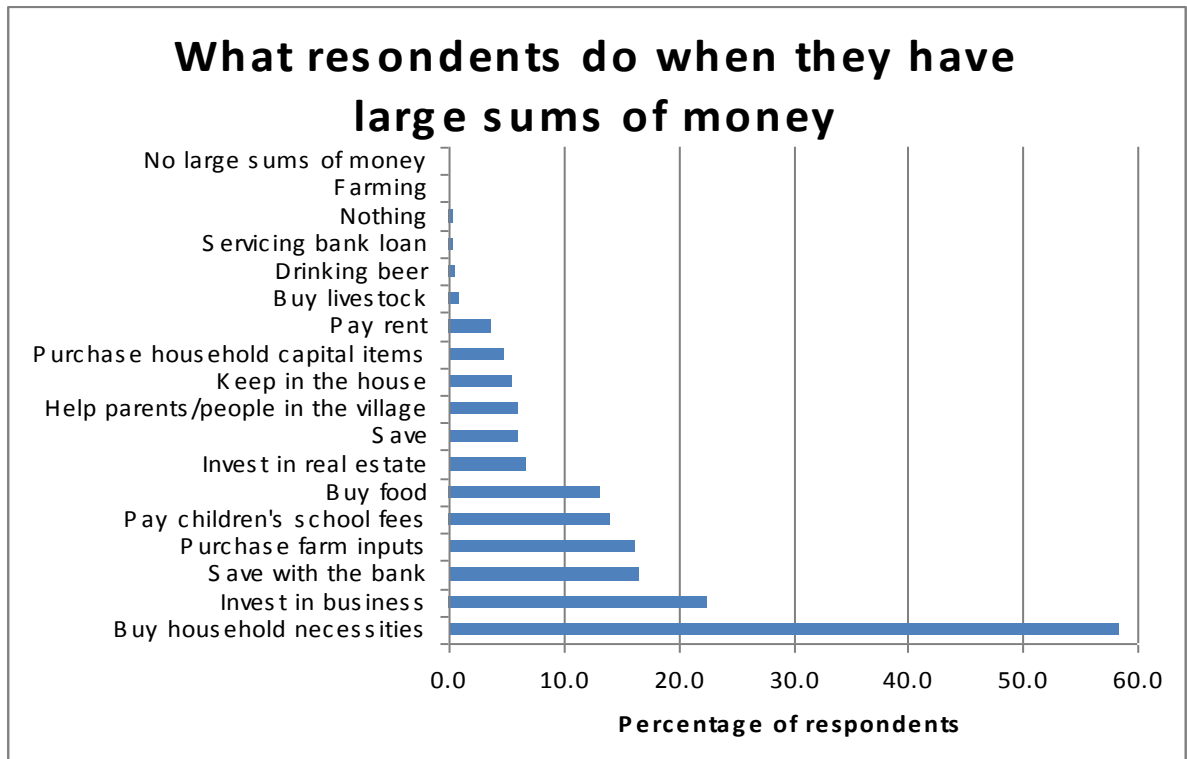
On the other hand, the months with the lowest cash income are those at the beginning of the year. The months of lowest cash income are January with 55.3 percent of the responses followed by February (48.8 percent), December with 20.7 percent and in the fourth position was March with 17.9 percent of the responses. These responses also reveal multiple responses. See the rest of the responses in Figure 3 below.

The main means of meeting basic needs during the period of lowest cash income or coping with the situation of lowest cash incomes is from small-scale businesses as reported by 23.8 percent of the respondents followed by casual labour (18.0 percent), minimize spending on luxuries (12.8 percent) and in the fourth position was use savings as reported by 11.9 percent of the respondents. See Figure 4 below for the rest of the responses.

Figure 3: Months Lowest Cash Income
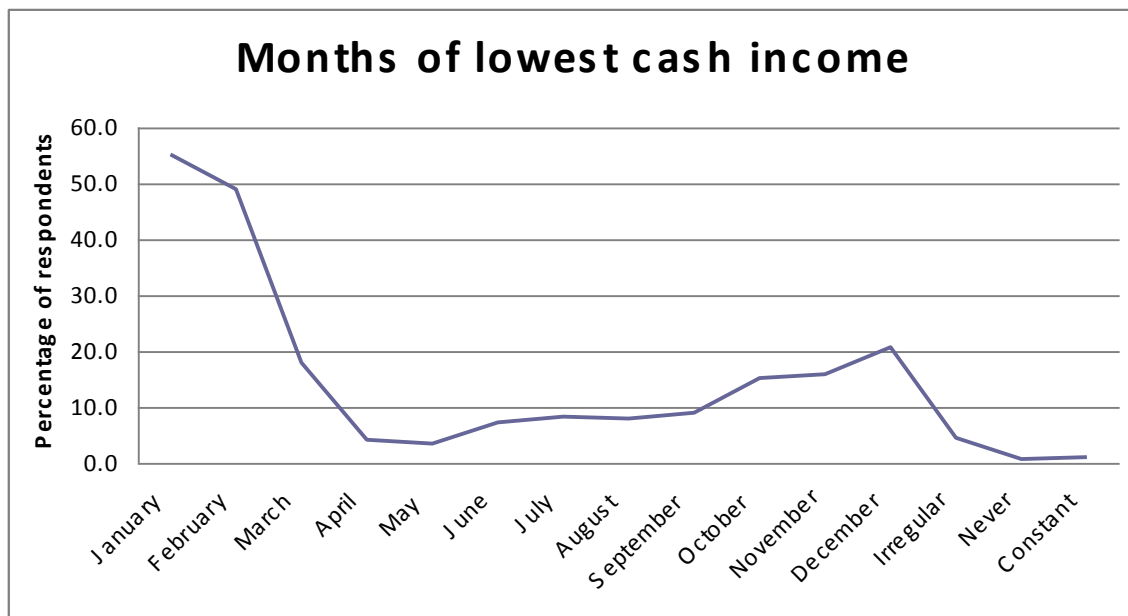
Figure 4: Means of meeting Basic Needs during periods of Lowest Income
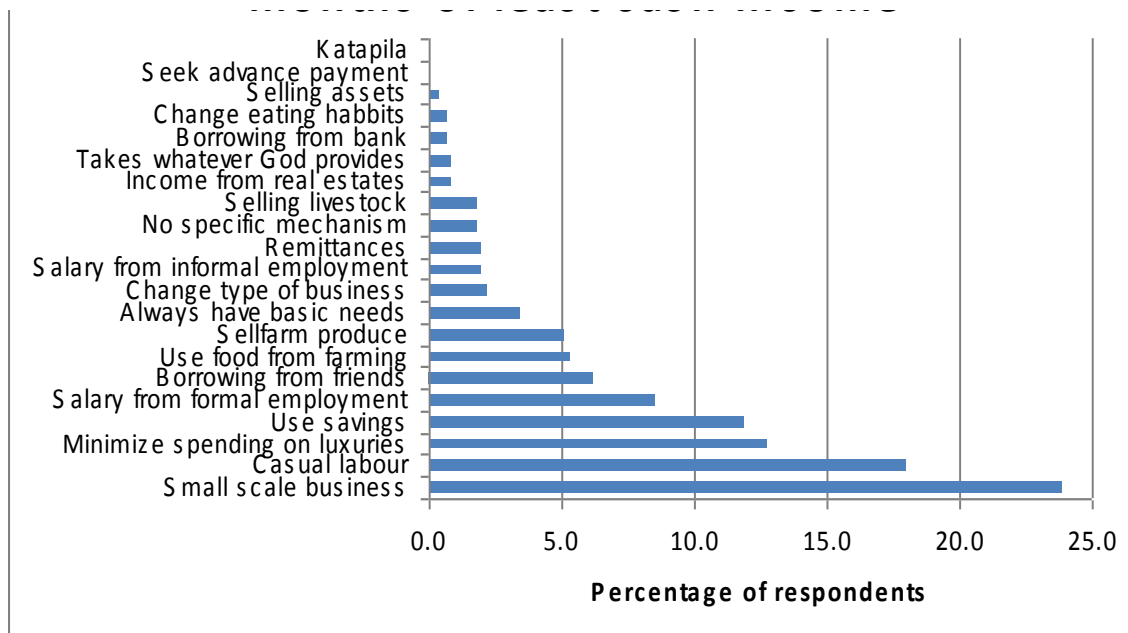
On the other hand, the period of high cash needs starts from around October with the highest needs between November and February. The main months when most households have the highest cash needs were January (40.1%), December (33.1%); November (28.3%) and February with 24.9 percent of the responses overall. Surprisingly, these were relatively the same months reported for all the three clusters (See Table A4 in the Annexes). This means that although some households are mainly dependent on businesses for their

livelihoods, the dynamics of these businesses are dependent on farming. The rest of the responses are reported in Figure 5 below. The main cash needs by bread winner show that farm inputs rank highest among cash needs during these months followed by food needs and school fees is the third position. The results were consistent for husband, both and wife alone.

Again the results are consistent with a farming community whose highest income earning period is during crop sales and the highest cash needs during the peak period of the farming cycle (buying inputs). As noted already, small-scale businesses, casual labour and use of savings in that order of importance were the main means of meeting the basic needs during this period of high cash needs and yet low cash income. It should be noted that getting a loan is not one of the options for coping with the high cash needs. This is an area that OIBM could explore as a potential business opportunity.

Figure 5: Months of High Cash Income needs
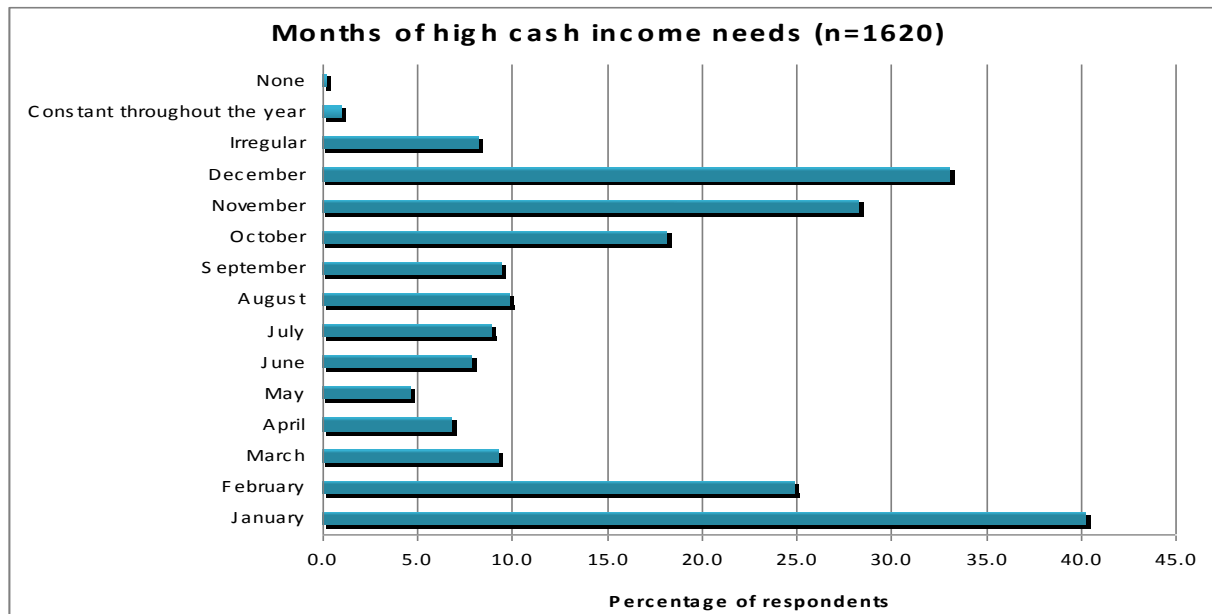
3.3 Household Saving Behaviour

This section presents results of household savings behaviour. The underlying assumption is that there are households in rural, peri-urban as well as in urban areas that have adequate cash incomes but they are unwilling to save these incomes in the banks. What are the reasons for this behaviour? Or, they may have a bank account but the money once deposited is quickly depleted – what explains this behavior?

The first question under this section was to find out whether respondents had some means of making some savings. The results revealed that 86.0 percent of them said yes with only 14.0 percent saying no. This was consistent across the livelihood activities. The highest percentage (97.7 percent) of those who said yes was recorded among those running big businesses. This was followed by those running small-scale businesses or involved in petty trading (88.8 percent); while the lowest percentage was recorded among those involved in casual labour (69.8 percent). See Table 11 below

It is interesting to note that the percentage of those who reported that they had means of making savings increased with income levels. The percentages of those who said that they had means of making savings increased from lowest income to highest income category. This is shown in Figure 6 below.

Table 9: Existence of Means of Making Some Savings

Livelihood activity	Yes		No		Total	
	Freq	%	Freq	%	Freq	%
Real estate	35	85.4	6	14.6	41	100.0
Small scale business/petty trading	555	88.8	70	11.2	625	100.0
Formal employment	402	86.5	63	13.5	465	100.0
Informal employment/casual labour	104	69.8	45	30.2	149	100.0
Crop sales	82	78.1	23	21.9	105	100.0
Livestock sales	5	83.3	1	16.7	6	100.0
Farming	284	85.3	49	14.7	333	100.0
Big business	128	97.7	3	2.3	131	100.0
Total	**1595**	**86.0**	**260**	**14.0**	**1855**	**100.0**

Figure 6: **Percentage of Respondents with means of making Savings by Income level**
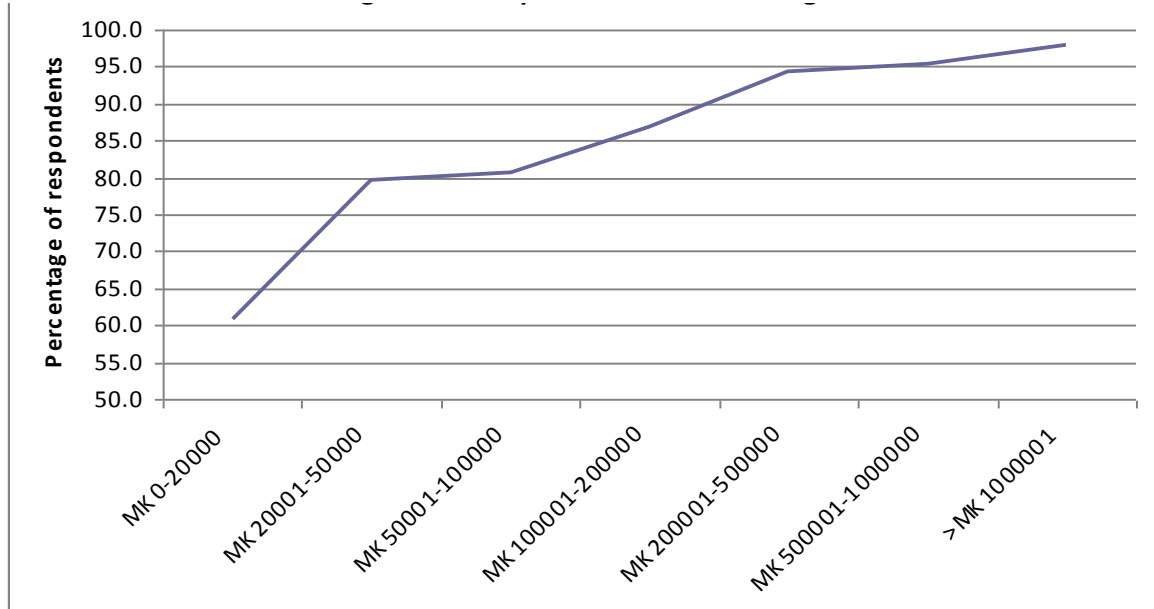
When asked in what forms they made the savings, a wide range of responses were given by livelihood activity. Firstly, it is noted that the highest percentage of those who saved with the bank were those in formal employment (75.3 percent); followed by those with big businesses (67.7 percent and small-scale businesses (46.7 percent). Secondly, the highest percent of those who saved in livestock was among the farmers with 56.0 percent for crops sales followed by farming 38 percent and informal employment with 23.0 percent of the responses within that category. Thirdly, the main form of saving for all the livelihood activities was keeping the money in the house. This was reported by 54.5 percent of those in real estate; 29.0 percent of those involved in farming; 28.8 percent of those in informal employment; 23.6 percent in big businesses and 21.4 percent in formal employment. See the details in Table A4 attached as an Excel sheet.

The results showed that most of those who opened bank accounts were those in formal employment (about 34.0 percent) followed by those involved in small-scale businesses or petty trading as shown in Figure 7 below.

Figure 7: Respondents with Bank Account by Main Livelihood Activity
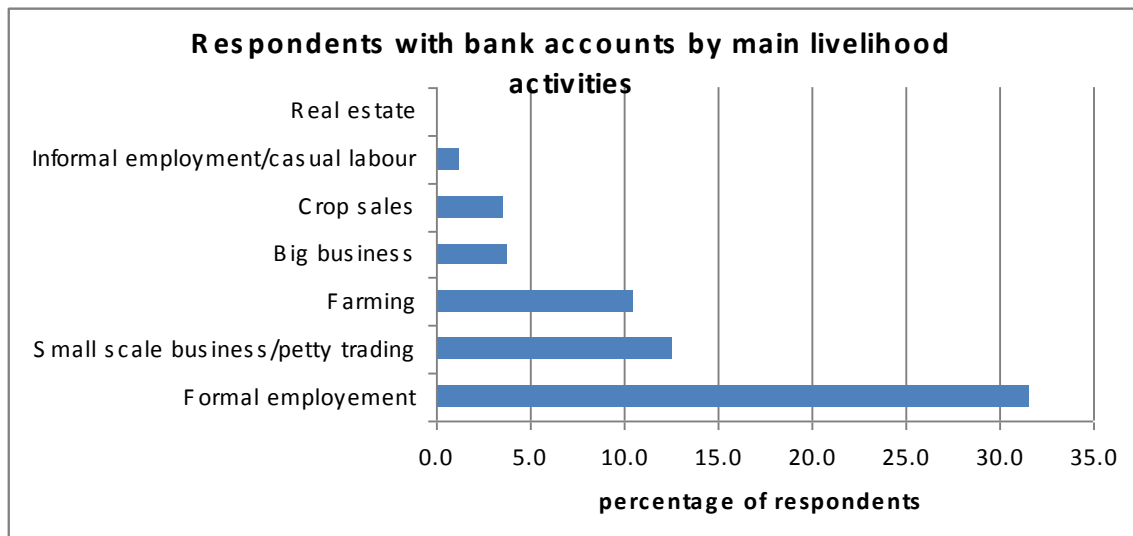
Several reasons were given for saving money with the banks. The main reason was safety and security as reported by 63.8 percent. This was followed by to avoid unnecessary spending (19.3 percent). See Figure 8 blow. The frequencies and percentages are reported in Table A5a and Table A5b in the Annexes.

Figure 8: Reasons for Saving with the bank
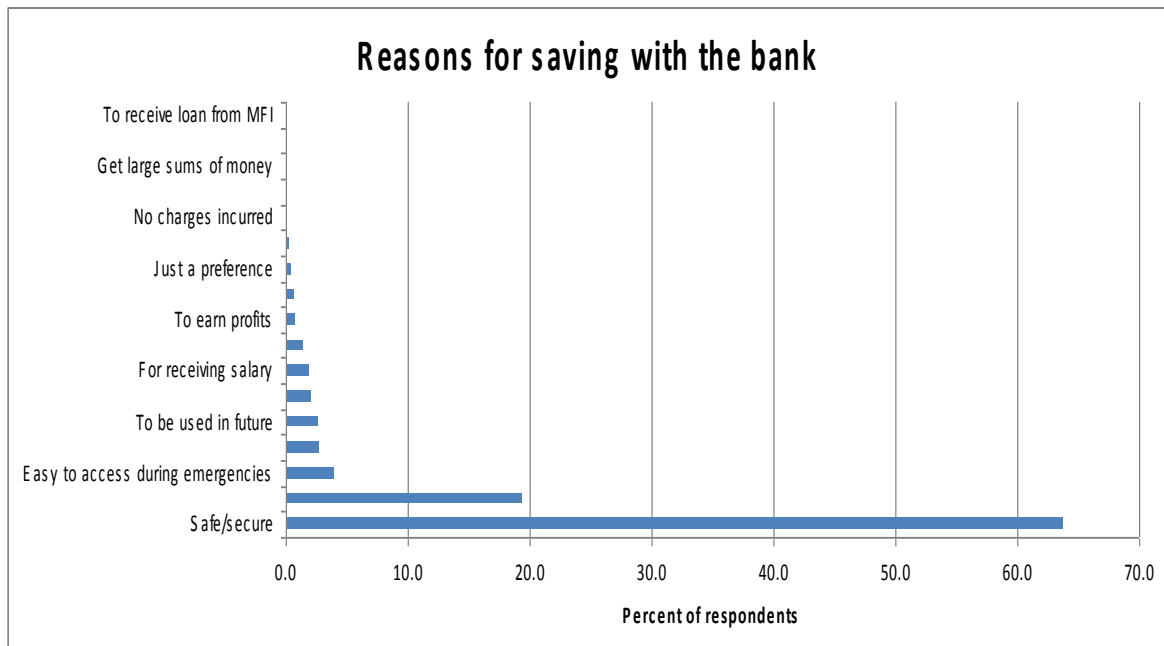
Several of the key forms of making savings were reported besides the bank. A summary of a few of these forms of savings and the main reasons for the choice of the form in which they make the savings is shown in Box 1 below. Four main reasons for the choice of each form of savings were isolated based on the frequencies of the responses.

Box 1: Main Forms of making savings and the reasons

1. Bank Account: (n=679)
Safe/secure	423 responses	62.3%
To avoid unnecessary spending	137 responses	20.2%
Easy access during emergencies	25 responses	3.7%
To be used in future	20 responses	3.1%

2. Business: (n=535)
To earn profits	335 responses	62.6%
For day to day needs	62 responses	11.6%
Generates daily cash	52 responses	9.7%
Easy access during emergencies	24 responses	4.4%

3. In the house: (n=419)
Easy access during emergencies	175 responses	41.8%
Amount small for bank account	81 responses	19.3%
For day to day needs	76 responses	18.1%
No charges incurred	10 responses	2.4%

4. Livestock: (n=293)
Easy to convert to cash	147 responses	50.1%
To earn profits	56 responses	19.1%
Easy access during emergencies	20 responses	6.8%
Capital Investment	11 responses	3.8%

Three key conclusions could be made from the summary provided in the box above. Firstly, households' value safety of their income and this is the main drive for putting their money in the bank. It is worth noting that earning an interest on the income is conspicuously absent from the list. This is an issue of concern to financial institutions. Households save money in the bank not because it is rewarding financially but rather to keep the money safe and to avoid unnecessary spending among others. Secondly, generating profits is the main reason for putting their money in a business. It should be deduced that if households perceived saving money in the bank just as rewarding as in a business, more households would be enticed to save with banks as can be noted from the quotation below.

> *Most of the banks offer very low interests on the savings and fixed deposit accounts which cannot motivate us to keep our money there compared to the profit that we can make from the same amount of money if it can be invested in a certain business enterprise.* – (Business woman) **Chilobwe Blantyre**

Thirdly, ease of access to the money saved when need arises is a key factor that determines in what form households save their cash income. This point could be enforced by the quotation below.

> *Banks are friendly only when you are depositing your money but not so when you want to withdraw despite the fact that they may know you they make a lot of demands like identity cards, signature and some witnesses. Because of this I drained my account and have no desire to have my money at the bank any more.* – (Man) **Mwanza**

3.3.1 Reasons for Making Savings

Respondents were asked to give some reasons for making savings regardless of the form in which they made these savings but by main bread winner. The overall main reason (42.0%) was for use when need arises followed by emergencies (23.8 percent); for future use by children was reported by 14.7 percent of the respondents. It is interesting to note however that for future use by children was largely (17.1 percent) the case when the husband was the main bread winner compared with only 9.2 percent when it was the wife and 15.1 percent when both husband and wife were bread winners. These results may indicate that the husband is the one that thinks more about the future welfare of the children than is the case for the wife. Similar results are obtained when considering for use when need arises. However, when the wife is the main bread winner, emergencies are the main reason for making some savings (28.7 percent) compared to 22.0 percent when it is the husband the main bread winner. See Table 12 below for the rest of the responses.

Analysis of the data by income level did not reflect any particular trend in the results. The results were similar when analyzed by livelihood activity, marital status of the respondents and by bread winner. However, overall frequencies show that saving money was the main reason for opening a savings account as reported by 24.9 percent of the respondents. Other main responses were: it is easy to withdraw (15.9 percent); to earn an interest (14.4 percent) and safety was reflected by 7.2 percent of the responses. See summary box below

Box 2: Reasons for opening savings account by Income level (n=756)		
Saving some money	188	24.9%
Easy to withdraw	120	15.9%
To earn an interest	109	14.4%
Safety	54	7.2%

Table 12: Reasons for Making Savings by Main Bread Winner

Reasons for savings	Husband		Wife		Both		Alone		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
For use in emergencies	168	22.0	25	28.7	116	24.0	48	29.3	357	23.8
To avoid unnecessary spending	21	2.8	3	3.4	4	0.8	2	1.2	30	2.0
For use when need arises	313	41.1	29	33.3	210	43.4	76	46.3	628	42.0
To ensure that money is available all the time	59	7.7	10	11.5	42	8.7	11	6.7	122	8.1
To create a base for investment	54	7.1	3	3.4	34	7.0	16	9.8	107	7.1
For safety	49	6.4	7	8.0	29	6.0	8	4.9	93	6.2
To increase money through profits	25	3.3	4	4.6	15	3.1	4	2.4	48	3.2
To carter for periods of less income	15	2.0	2	2.3	10	2.1	2	1.2	29	1.9
For future use by children	130	17.1	8	9.2	73	15.1	9	5.5	220	14.7
To be able to get a loan	1	0.1	1	1.1	1	0.2	1	0.6	4	0.3
Personal choice	3	0.4	2	2.3	1	0.2	0	0.0	6	0.4
To avoid rentals	2	0.3	0	0.0	0	0.0	0	0.0	2	0.1
To earn interest	5	0.7	3	3.4	2	0.4	1	0.6	11	0.7
Total	**762**	**100.0**	**87**	**100.0**	**484**	**100.0**	**164**	**100.0**	**1497**	**100.0**

3.3.2 Months of the year when most Savings are made

The study also explored the months when respondents made the most savings. The results revealed that most of the savings were made during mid-year months starting from April to August with the highest being June. See Figure 9 below. It is interesting to note that the results were relatively similar across the clusters. The detailed summary is provided in Table A6 in the Annexes. When asked what activities or sources of income contributed to these peak periods of savings, the highest percentage of responses (about 43%) indicated small-scale businesses followed by sale of crop produce (about 34%). See Figure 10 below. These results correspond to the months of highest cash incomes already reported.

Figure 9: Months when Respondents make most of their Savings

Months when respondents make most of their savings (n= 1306)
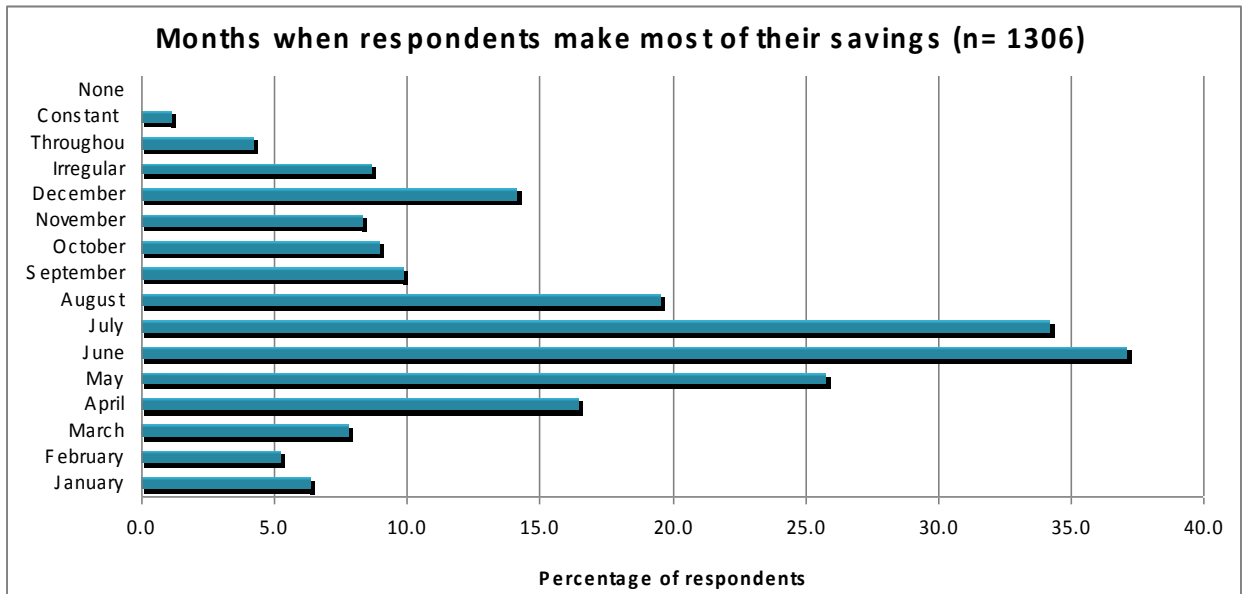
Figure 10: Main Activities or Sources of Income during Peak Periods
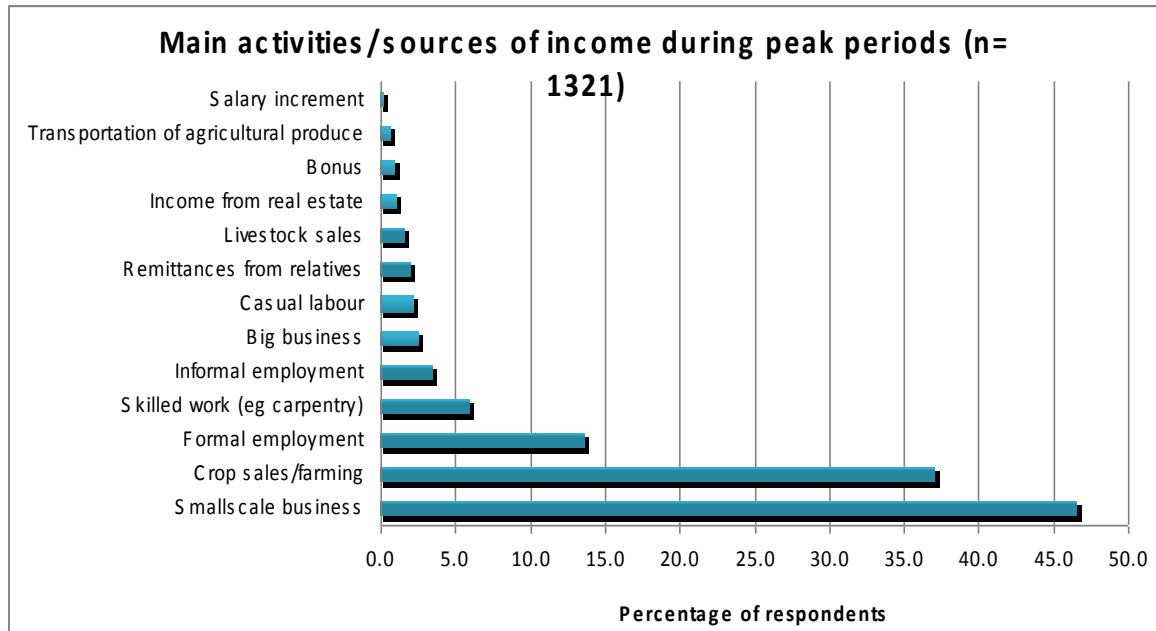
When data for main activities or sources of income that contributed to the high savings were analyzed by cluster, it was revealed that small-scale businesses were highest (54.3%) in the urban areas followed by the peri-urban areas (48.9%) with 40.2 percent of the respondents in the rural areas in the last position. On the other hand, the opposite was the case for crops sales as the main source of income that contributed to the peak savings in the mid-year. This was reported by 53.9 percent of respondents in the rural areas followed by the peri-urban (31.7%) while the urban areas were in the third position with only 16.3 percent of the respondents. The rest of the results are summarized in Table A7 in the Annexes. What these results entail is that the main source of income to save in the urban and peri-urban areas is small-scale business which crops sales are the main source of income to save in the rural areas. However, the most important issue to note is that the peak periods for savings for all the three clusters are the same. This means that the most businesses that households are involved in are agriculture related as the peak periods fall within the main period of crop harvest and sales for Malawi.

3.3.3 Reasons for not operating a Savings Account

The results showed that the main reason for not making savings with banks was the limited amount of money that households earn. This was reported by 79 percent of those who indicated reasons for not making any savings with the bank. This was also largely echoed by the qualitative anecdotal information that was gathered in the course of the study and also concurs with the World Bank study (2009). It was noted that low income levels to a large extent explained the failure of many households to save any cash in the banks. They

indicated that the income they earned was only enough to meet their basic needs. In some cases, they reported that they even had problems in meeting their basic needs. In this way, they could not think of making some savings. This problem was more serious in the rural areas. The quotation in the box below emphasizes this point.

> *"When we earn some cash income, we usually use it immediately to meet the basic needs in the household with little or nothing left. How do you expect me to save out of MK200 that I earn once in a while? It is used immediately!!"* A woman in Mulanje-Limbuli lamented. *"I sell sugarcanes to earn myself some money and at the end of the day I make at most K200. This money is used to buy food for the day and we struggle a lot more when we have depleted our maize grain stocks since we need a lot of money to buy maize"*.

The other reasons given by respondents for not making any bank savings were: reinvesting all the money in the business (7 percent), cannot entrust the money with other people (4 percent), bank charges and low interest rates. All these were also given through qualitative information gathered during the fieldwork as highlighted below.

Figure 11: Reasons for not making Savings

Reasons for not making savings (n= 248)

- Dont earn a lot of money
- All earnings are reinvested into the business
- Cannot trust his money with other people
- No specific reason
- Banks charge a lot of money
- Lack of knowledge on how to open an account
- Banks are too far
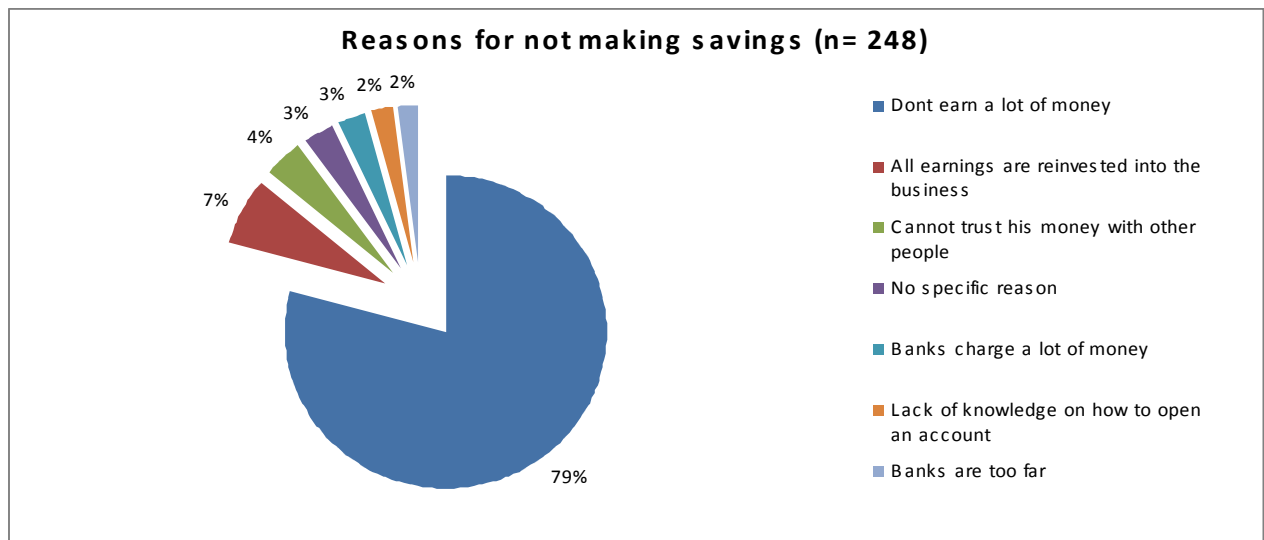
The main reasons given through qualitative anecdotal information are given as follows:

1. **Investing in Businesses:** Some people don't operate bank accounts because they invest their money in businesses and hence the money is always in circulation. As quoted by a business lady in Nathenje-Lilongwe, *"I ran so many different businesses so when I generate some income from one of my businesses I invest it in another as a result I don't have a chance to save any*

money. I don't see any reason why I should operate a bank account and the interest rate these people offer is very small. As an example I can take K100,000 today keep it at the bank after a year you find that the interest I get is very little but take the same amount of money and invest it in a business in two months time I can double it".

2.   Banks perceived to be unfriendly: The study has established that a large number of the people in the rural areas depend very much on saving their income by keeping it by themselves through informal means. Some of them indicated that they had ever attempted to deal with banks i.e. open accounts but faced a lot of frustrations and disappointments to such an extent that they decided to withdraw the whole amount and invest it in different informal avenues. This was a common concern across all the study sites. The quotation below bears testimony.

"We sometimes fail to understand the operations of banks because one of my friends once deposited money at the bank but instead of the money accumulating and increasing we found that the amount of money had decreased after sometime. This prompted him to withdraw the remaining money and keep it for himself" – a man in Mwanza.

3.   High bank charges: High fees on bank transactions and services that are imposed on people who own bank accounts raised complaints and questions against the banks. As a result many people have a negative image about banks and are not willing to save any money with any bank.

Most of the respondents also complained about the unclear banks' criteria with which bank charges are made. As indicated in the quotation above, it is never disclosed as such people do not know how their balances are deducted hence they are surprised when they observe that the balances have been deducted by the bank.

Nevertheless, most households complained that the bank charges are too high although they believe that owning a bank account is the safest way of saving. It is costly and not suitable for people with low income levels since they always want to utilize the little cash income they earn.

A certain woman at Karonga Boma reported that her friend owns a bank account but when she saves money in her account and leaves the money there for sometime she always finds that the amount has largely declined or sometimes the whole sum of money is depleted from the account, when she asks for an explanation she always gets the same answer "the bank charges for the transactions made and monthly charges". This makes her to keep money in her house rather that 'donating' to the banks.

4.   **Low interest rates:** The low interest rates offered in most banks is another major factor affecting people's willingness to make savings. This is particularly so for those people living in urban areas and involved in businesses. Most of them indicated that they preferred turning their cash income in the business where they make a lot more profit than putting the money in a savings account or a fixed deposit. These views were shared among most business persons interviewed in all the study sites. The quotation below would assist to strengthen this point.

"Most of the banks offer very low interest rates on savings and fixed deposit accounts which cannot motivate us to keep money there compared to the profit that we make from the same money if it is invested in a business." – a Business lady in Chilobwe in Blantyre.

It was found out that opportunities of accessing loans to start small businesses, higher interest rates, offering loans to buy agricultural inputs and no bank charges were some of the conditions under which respondents would be more willing to open a savings bank account. See Figure 12 below. The conditions seemed to be the same for all the three clusters and in the relatively the same order of importance. These results were echoed through the qualitative information collected during the fieldwork as indicated in the quotation below.

"It will be easier for us to start operating an account if we have stable and sound businesses which can be generating enough income for us to make savings at the bank. This can be possible if we can access loans to expand our income base.- (Woman) **3 Miles Zomba.**

Figure 12: Conditions necessary to open a savings bank accounts
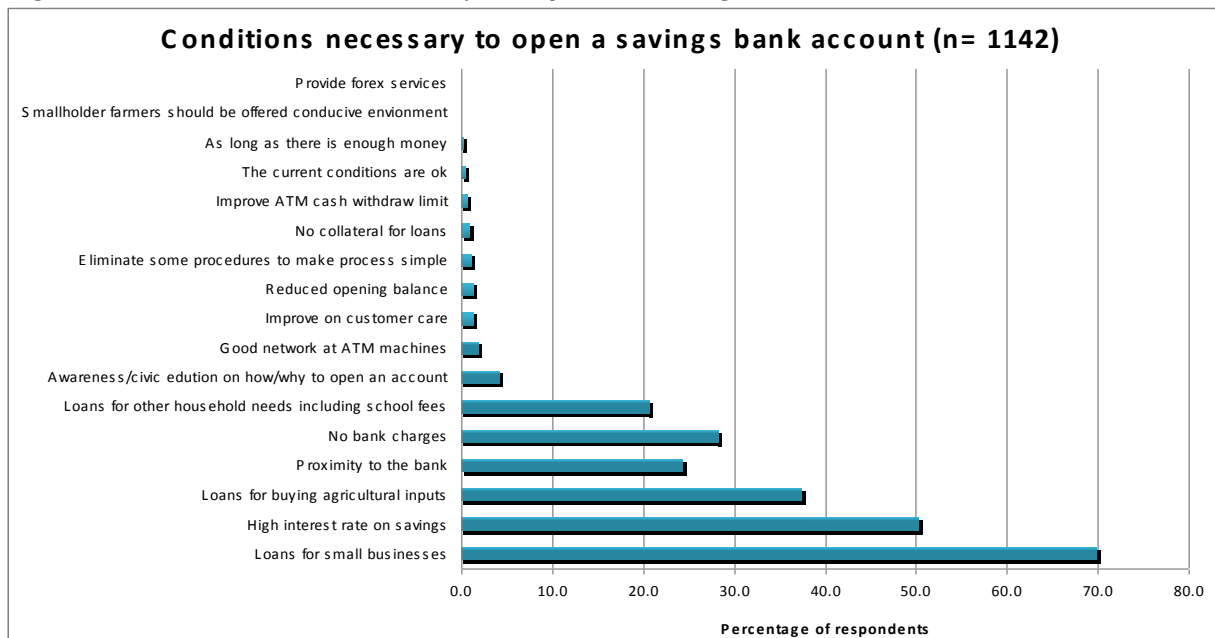
3.4   Household Access to Financial Services

The focus on household access to financial services was mainly on ownership of bank accounts, knowledge of Micro-Finance Institutions (MFI) and access to financial services offered by MFIs.

3.4.1 Ownership of a Bank Account

The study also aimed to find out whether respondents owned a bank account. The results revealed that while about 86 percent of the respondents reported that they had some means of making savings, only 43.5 percent of the respondents indicated that they owned a bank account. This was reported by 52.8 percent of the respondents in the urban areas followed by 52.4 percent in the peri-urban areas and only 33.2 percent in the rural areas. When data were analyzed by income category, it was noted that a similar overall percent for people with a bank account was obtained (44.7 percent). When the results were disaggregated by bread winner, this was reported by 42.3 if it was the husband, 40.7 percent if it was the wife, 50.5 percent for both and 41.9 percent for alone. See Tables 11a and 11b below.

Table 11a: Ownership of Bank Account by Cluster

Responses	Cluster							
	Rural		Urban		Peri-urban		Total	
	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	%
Yes	251	33.2	271	52.83	176	52.4	698	43.52
No	504	66.8	242	47.17	160	47.6	906	56.48
Total	755	100	513	100	336	100	1604	100

Table 11b: Ownership of a Bank Account by Bread Winner

	Husband		Wife		Both		Alone		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Yes	381	42.3	44	40.7	276	50.5	85	41.9	786	44.7
No	519	57.7	64	59.3	271	49.5	118	58.1	972	55.3
Total	900	100.0	108	100.0	547	100.0	203	100.0	1758	100.0

Table 12a below shows the results of ownership of a bank account by income category. It is noted that ownership of bank account increases with income. While the percentage of respondents with bank accounts is only 20.5 percent for the lowest category, the percentage rises to 79.0 percent for those earning more than MK1,000,000 per annum. What this entails is that the higher the annual income among households, the higher will be their ability to own a bank account (all other things being equal) as reflected in Table 12b below.

Table 12a: Ownership of Bank Account by Income Category

	MK0-20000		MK20001-50000		MK50001-100000		MK100001-200000		MK200001-500000		MK500001-1000000		>MK1000001		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Yes	33	20.5	50	24.4	85	24.1	171	41.5	285	65.1	131	76.2	79	79.0	834	45.3
No	128	79.5	155	75.6	268	75.9	241	58.5	153	34.9	41	23.8	21	21.0	1007	54.7
Total	161	100	205	100.0	353	100.0	412	100.0	438	100.0	172	100.0	100	100.0	1841	100.0

The results in Table 12b below show that the average annual income of those who reported that they owned a bank account was significantly different at 1 percent level of significance. Basically, those respondents with bank accounts earn more income than the respondents with no bank account.

Table 12b: Mean Total Annual Income for Respondents with and without Bank Accounts

Bank Account Ownership	n	Mean Annual Income	Std Deviation	t-statistic
Yes	814	593239.9	1634972	7.259
No	969	194814.6	454937.1	
Total	**1783**			

As it has already been reported, the main reasons for opening various types of accounts did not change with type of livelihood, bread winner, marital status, or income level or category.

The majority of respondents across all the clusters only owned one bank account. The lowest percentage of households with two bank accounts was registered in the rural areas with only 21.4 percent of the respondents compared with 27.3 percent in the peri-urban areas and 26.5 percent in the urban areas. It was noted that the most common type account held in all the clusters was a savings account See Figure 13 below. Other types of accounts reported were current account, kasupe account, fixed deposit account, mthandizi account and group account[2].

Table 13: Number of Accounts per Respondent by Cluster

Cluster	1	%	2	%	3	%	4	%	Total Responses by cluster	%
Rural	186	75.0	53	21.4	8	3.2	1	0.4	248	**100.0**
Urban	178	68.5	69	26.5	11	4.2	2	0.8	260	**100.0**
Peri-urban	115	66.9	47	27.3	9	5.2	1	0.6	172	**100.0**
									680	**100.0**

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[2] Group account was mainly reported among tobacco farmers

Figure 13: Main Types of Banks Accounts
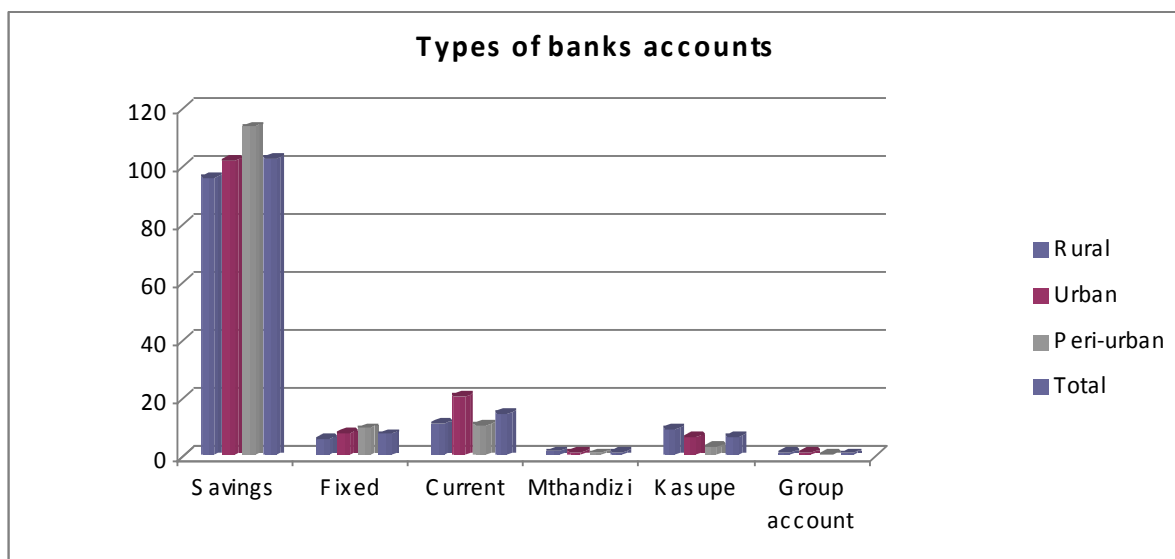
When the respondents were asked where the accounts were held, the main banks reported were as shown in Table 14 below. It is interesting to note that OIBM was second most popular bank in the rural areas where New Building Society is in the first position but it is the first one in the urban areas and being in the second position on the overall ranking in the Table. The frequencies reflect the fact that some people own accounts in than one bank.

Table 14: Banks/MFIs where accounts are held

	Cluster			
Name of Banks	Rural	Urban	Peri-urban	Total
NBS	92	82	94	268
OIBM	81	91	27	199
NBM	35	81	31	147
Standard Bank	45	57	36	138
MSB	50	30	40	120
FMB	6	4	7	17
INDE Bank	0	4	7	11
FINCOOP	4	5	0	9
SACCO	5	1	0	6
NEDBANK	0	3	0	3
Total	245	262	174	681

Percentages and Total are based on Respondents

The main reason given for not owning a bank account was the fact that people did not have enough money to save. The rest of the responses given are as summarized in the Figure 14a below. The results were very similar across the clusters as shown in Table A9 in the Annexes.

Figure 14a: Reasons for not operating a Bank Account

Reasons for not operating a bank account (n= 841)
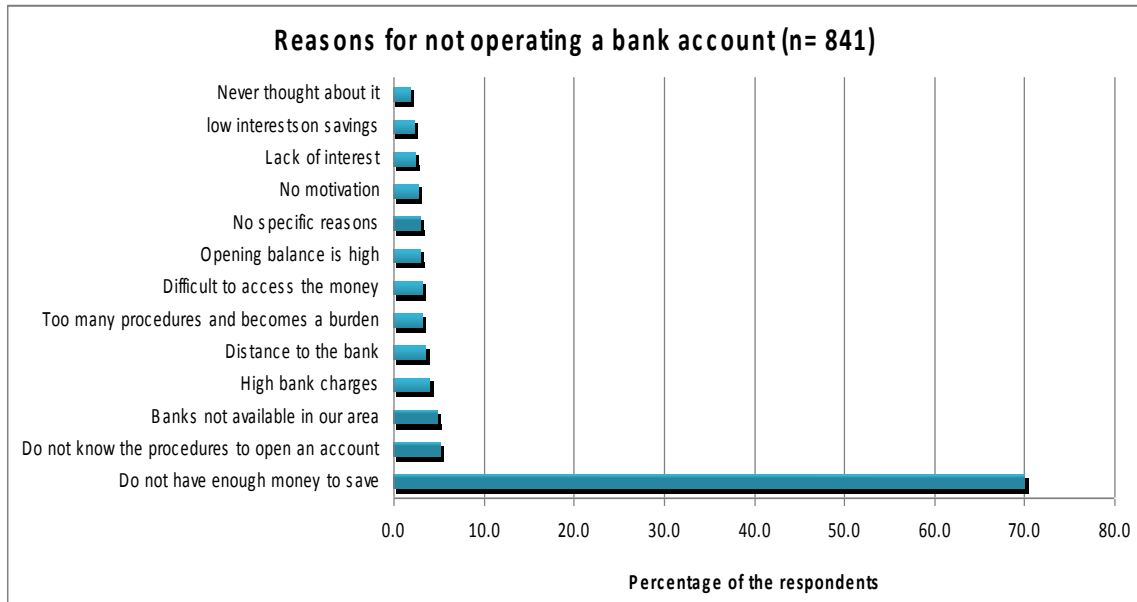
Results from the study reveal that the majority (64.0 percent) of the respondents had not operated a bank account before. Surprisingly, the highest percentage of those who said that they had operated an account before were from the rural areas (38 percent); 36 percent from the urban areas and the lowest was recorded in the peri-urban areas with 27 percent of the respondents. While 59 percent of the respondents who reported that they had an account before reported that they still operated the account, a number of reasons were given for discontinuing. The main ones were inadequate income, high bank charges, and difficult to access money in the account as shown in Figure 14b below.

Figure 14b: Reasons for discontinuing operating the account

Reasons for dicontinuing operating a bank account (n=490)
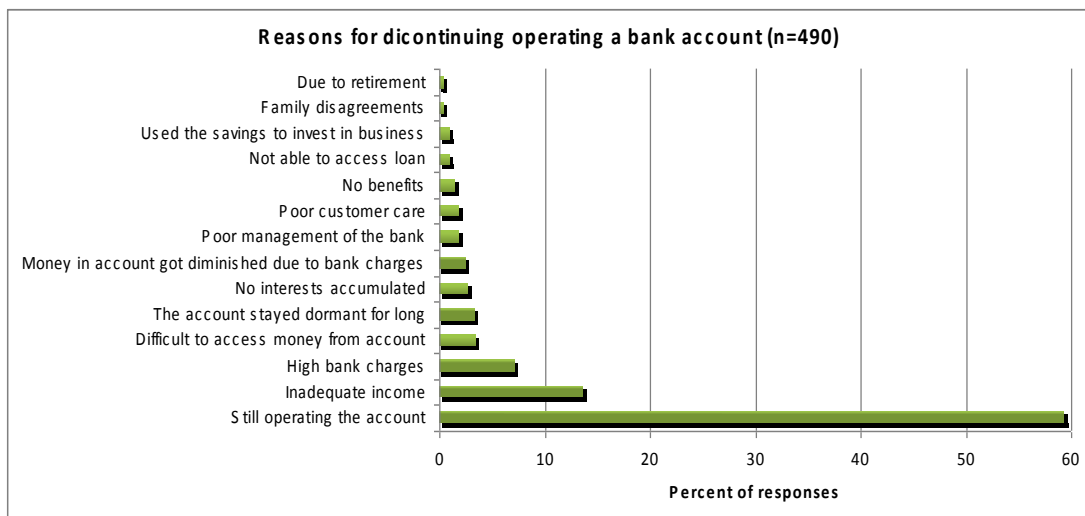
3.4.2 Knowledge of Banks and MFIs

Results from the study showed that although OIBM was ranked second among banks where respondents held their accounts; it was on top of the list (58 percent) with regards to knowledge of banks and MFIs that respondents had. It should be noted here that knowledge of a bank does not necessarily translate into opening an account with that bank. However, high level of awareness about a bank should be perceived as an opportunity for attracting more customers.

Among the commonly known MFIs were FINCA, MRFC, MARDEF, and Microloan Foundation. These are summarized in the Figure 15 below

Figure 15: Knowledge of Banks and Micro Finance Institutions
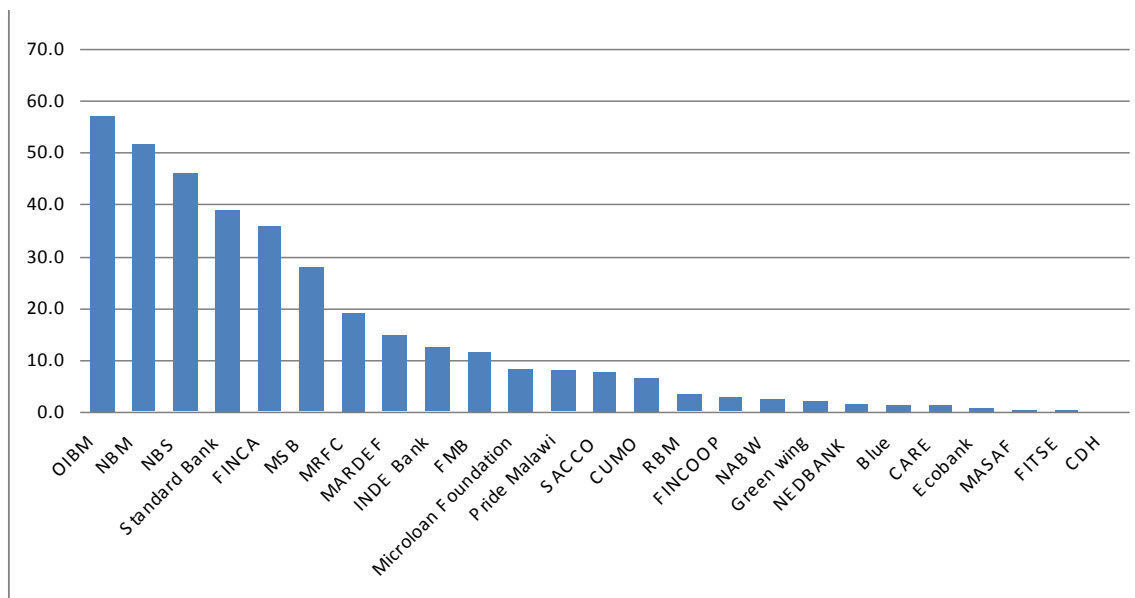
3.4.3 Access to Financial Services from Micro Finance Institutions

When respondents were asked whether they had access to Micro Finance Institutions, only 14.9 percent said yes while the rest (85.1%) said no. The responses were relatively similar across the clusters with peri-urban respondents recording a slightly higher percentage for yes responses. See the Figure 16 below

Figure 16: Access to Financial Services from MFIs

Access to financial services from MFIs
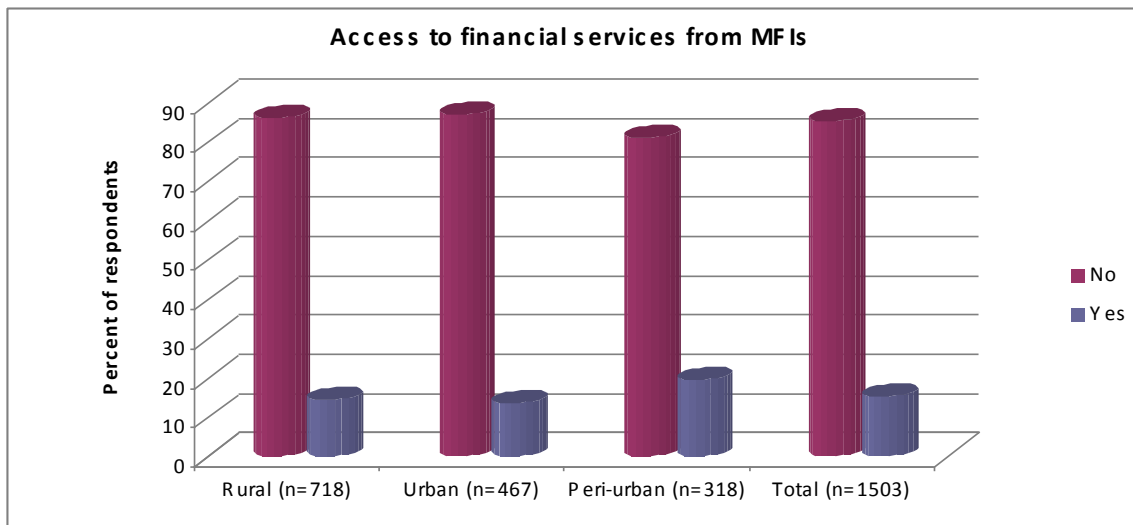
The most popular MFIs reported that provide micro finance services as already indicated above were FINCA, MRFC, SACCOs and Pride Malawi. See Figure 17 below

Figure 17: MFIs Providing Financial Services

MFIs providing financial services
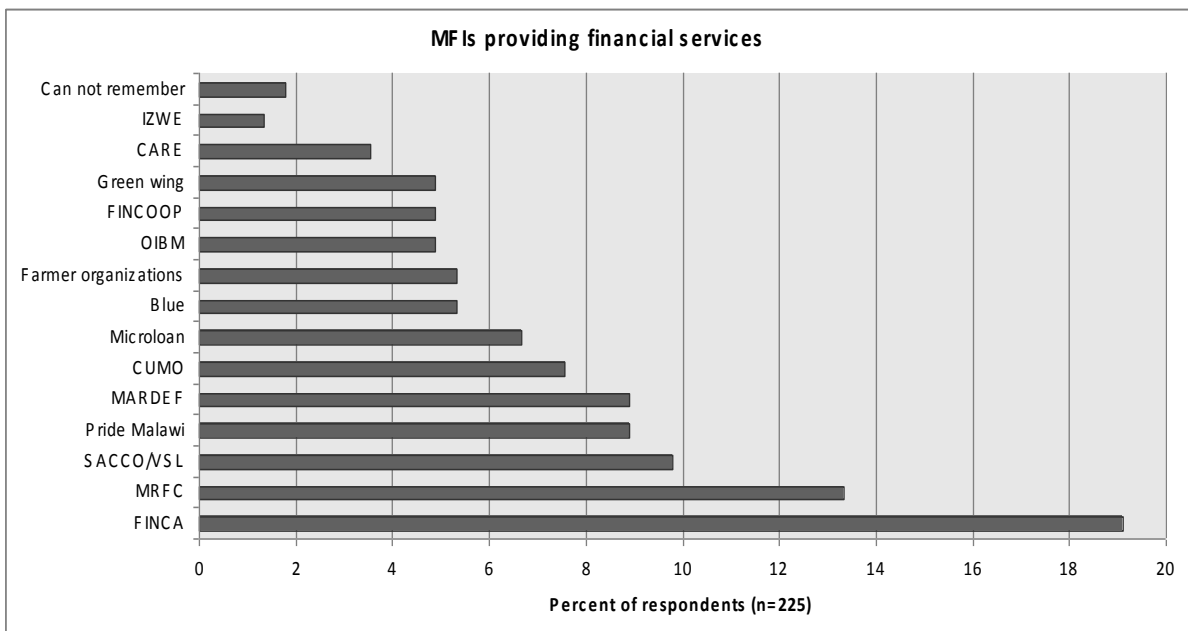
When asked what type of services these MFIs provided, the main responses given in descending order of frequency are the ones listed below:

• Loan	98.9%
• Loans/savings	3.4%
• Business management training	2.6%
• Livestock/seed revolving fund	0.4%

The top four Micro Finance Institutions (MFI) from which respondents received financial services were FINCA (20 percent); MRFC (13.4 percent; SACCO/VSL (9.7 percent) and MARDEF in the fourth position with 8.6 percent of the responses. It is interesting note that FINCA is the most reported within all the three clusters. The rest of the responses are reported in Table 15 below

Table 15: MFIs from which Respondents Receive Financial Services by Cluster

	Rural		Urban		Peri-urban		Total	
Names of MFI	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster
FINCA	26	21.8	14	21.9	18	16.8	58	20.0
CUMO	13	10.9	0	0.0	4	3.7	17	5.9
OIBM	11	9.2	2	3.1	9	8.4	22	7.6
SACCO/VSL	12	10.1	10	15.6	6	5.6	28	9.7
MRFC	22	18.5	4	6.3	13	12.1	39	13.4
Green wing	2	1.7	7	10.9	5	4.7	14	4.8
Can not remember	3	2.5	1	1.6	0	0.0	4	1.4
Blue	1	0.8	5	7.8	6	5.6	12	4.1
FINCOOP	4	3.4	5	7.8	4	3.7	13	4.5
CARE	4	3.4	0	0.0	12	11.2	16	5.5
Pride Malawi	2	1.7	8	12.5	12	11.2	22	7.6
MARDEF	10	8.4	6	9.4	9	8.4	25	8.6
Farmer organizations	8	6.7	3	4.7	2	1.9	13	4.5
IZWE	1	0.8	2	3.1	0	0.0	3	1.0
Microloan	7	5.9	3	4.7	13	12.1	23	7.9
Total	119	100.0	64	100.0	107	100.0	290	100.0

To the majority (68%) of the respondents (and 32 percent said no), access to Micro Finance Institutions did not affect their demand for bank services. However, for those who said yes, it is noted that most of the ways in which their access to MFIs affected their demand for bank services was in a positive way. These are summarized in Box 3 below.

For those who said that access to Micro-Finance Institutions affects their demand for bank services, the main ways in which demand for bank services is affected was as summarized in the box below. The responses have been ranked in descending order based on the frequency of responses.

Box 3: Ways in which demand for bank services is affected

- It has increased demand for bank services
- High interest on loans and no money is left for bank account
- The MFI requires one to have bank account to access services
- The conditions for the MFI don't allow to associate with other financial service providers
- The money we get helps us to save
- More beneficial than banks
- Offer same type of services
- Increases savings

4.0   CONCLUDING REMARKS

The research was carried out with the main objective of finding out the main livelihoods activities among urban, peri-urban and rural households in Malawi. The aim was to assess their income sources and levels as they may relate to savings behaviour. The study further assessed households' knowledge and access to financial services in the country.

The results from the study confirmed several issues about the basic assumptions made in the design of this research. The findings also concur with a number of studies that have been carried out in developing countries with regards household savings behaviour and access to financial services. Firstly, small-scale businesses and farming were the main livelihood activities among households in all the three clusters. External sources of income such as remittances only contributed a small proportion to the income as the average amounts received each time are small and they are received irregularly. The period of highest cash income earnings and cash income needs do not necessarily coincide. Highest cash incomes are earned during the middle part of the year (peak period of crop sales) while the highest cash needs are experienced between November and February the peak farming period. This means that unless farmers save some money they would face some problems in coping with the high cash needs. Only a small percentage of them save out of their high cash needs but rather spend much of it on household necessities.

Secondly, the majority of respondents have means of making some savings. It is concluded that household income levels significantly determine the ability to open a bank account or to save. Although the highest form of savings is with the bank, but a large number of them also save in informal systems like through businesses, in the house or through the purchase of livestock. It should be emphasized that financial gains are not the main factor that explains savings with the banks but rather for security and to avoid unnecessary spending. This means that banks have not yet convinced potential customers that they can gain by saving their incomes through the formal financial system. Convenience and ease of access when needed are some of the main factors that explain the non-formal savings options. On the other hand, low incomes, low interest rates, high bank charges, and unfriendliness of banks are some of the main factors that inhibit potential customers from making savings with banks.

Thirdly, while a large number of respondents reported that they had means of making some savings, less than 50 percent of them had a bank account. The main reason for not having a bank account is the low income worth putting in the bank. However, a number of other factors explain this behavior: lack of knowledge on how to go about opening a bank account, distance to the nearest bank and high bank charges are some of the main factors that explain this behaviour.

It is noted that most of the factors that explain household savings behaviour are opportunities for banks as they can design strategies that would reverse the behavior. It is concluded that putting in place appropriate strategies would lead to win-win outcomes. Households would make more money which banks could tap from thereby expanding their customer base.

4.1   Recommendations

Following the results of this study, a number of recommendations could be made:

Firstly, the study results have shown that a large number of households prefer saving their incomes in businesses because these generate a relatively higher return on investment through profits than a bank account whose interest rate is low. On the other hand, however, one of the key factors that would lead more people to make savings with the bank is if the banks offered them loans for their businesses. There seems to be a "carrot" for banks as well as the potential savers. That is, some households have the potential of making savings with banks, but on condition that they have access to bank loans. On the other hand, banks want to expand their customer base mainly those with savings accounts – but for this to happen, they have to satisfy some basic customer requirements or needs. "The surest way to increase popular use of formal banking services is thus to raise incomes" (World Bank, 2009). It is strongly recommended therefore that OIBM should seize this opportunity by focusing on supporting small and medium enterprises with loans using savings accounts as collateral. This should however, be coupled with adequate capacity building to ensure success of the businesses. To avoid high transactions costs and the moral-hazard, appropriate lending arrangements should be designed. Such a strategy will lead to a win-win outcome – business growth-poverty reduction and expanded savings portfolio for the bank.

Secondly, the study has revealed that the peak periods of high cash income and high income needs do not coincide. Since most households earn most of their incomes from farming or farm-related businesses, the highest income is earned between April and August. On the other hand, the highest cash needs are experienced between November and February – the peak farming period. *Ganyu* serves as the main coping strategy during high cash needs. It is recommended therefore that OIBM should take advantage of these peaks to design savings and loan products to meet household needs during the two periods. This means pulling much of the income earned during the crop harvest period and lending it back to them during the farming period. Support to farming activities should however consider the income generating potential of the farm enterprises that are being supported with bank loans.

Thirdly, the study has also revealed that banks are unfriendly, with high bank charges on accounts, but offering low interest rates on savings making them unattractive to most potential customers. It is strongly recommended that OIBM should consider expanding its product base to include accounts with no or indirect bank charges as a way of attracting customers. In addition, OIBM should continue to emphasize on creating a friendly environment for service delivery.

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5.0 ANNEXES

5.1 Summary Tables

Table A1: Level of Education of Respondents by Cluster

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Education level	Rural Freq	Rural % within cluster	Urban Freq	Urban % within cluster	Peri-urban Freq	Peri-urban % within cluster	Total Freq	Total % within cluster
Std 1	14	1.7	3	0.6	2	0.4	19	1.0
Std 2	23	2.8	6	1.2	9	1.9	38	2.1
Std 3	40	4.8	10	1.9	12	2.5	62	3.4
Std 4	32	3.9	8	1.5	5	1.0	45	2.5
Std 5	53	6.4	16	3.1	14	2.9	83	4.5
Std 6	41	4.9	12	2.3	14	2.9	67	3.7
Std 7	65	7.8	23	4.4	27	5.6	115	6.3
Std 8	167	20.1	97	18.6	112	23.4	376	20.6
Form 1	15	1.8	20	3.8	11	2.3	46	2.5
Form 2	83	10.0	78	15.0	65	13.6	226	12.4
Form 3	15	1.8	14	2.7	11	2.3	40	2.2
Form 4	110	13.3	139	26.7	122	25.5	371	20.3
From 2	1	0.1	0	0.0	0	0.0	1	0.1
From 4	0	0.0	1	0.2	1	0.2	2	0.1
None	97	11.7	14	2.7	30	6.3	141	7.7
Primary	32	3.9	14	2.7	1	0.2	47	2.6
Secondary	22	2.7	16	3.1	26	5.4	64	3.5
Tertiary	19	2.3	50	9.6	17	3.5	86	4.7
Total	**829**	**100.0**	**521**	**100.0**	**479**	**100.0**	**1829**	**100.0**

Table A2: Average Annual Income by Livelihood Activity

Livelihood Activity	n	Mean	Std. Deviation	Std. Error
Real estate	41	140012.2	105997.6	16554.04
Small scale business/petty trading	601	286180.9	645733	26340
Formal employment	467	357300.7	611118.1	28279.17
Informal employment/casual labour	148	154873.4	265427.5	21818.01
Crop sales	104	311230.7	907441.5	88981.96
Livestock sales	6	309666.7	377495.3	154111.8
Farming	325	223854.4	567255.1	31465.65
Big business*	143	1456259	3391569	283617.3
All	**1835**	**372065.2**	**1155226**	**26968.02**

Table A3: Months of highest cash income by cluster

Month	Rural Freq	Rural %	Urban Freq	Urban %	Peri-urban Freq	Peri-urban %	All Freq	All %
January	85	9.9	28	5.3	21	4.3	134	7.2
February	76	8.9	20	3.8	13	2.7	109	5.8
March	108	12.6	41	7.8	29	6.0	178	9.5
April	158	18.4	78	14.8	77	15.9	313	16.8
May	232	27.0	118	22.4	121	25.0	471	25.2
June	324	37.8	150	28.5	199	41.1	673	36.0
July	291	33.9	129	24.5	183	37.8	603	32.3
August	164	19.1	66	12.5	124	25.6	354	19.0
September	76	8.9	40	7.6	62	12.8	178	9.5
October	70	8.2	43	8.2	52	10.7	165	8.8
November	77	9.0	50	9.5	33	6.8	160	8.6
December	106	12.4	114	21.7	57	11.8	277	14.8
Irregular	76	8.9	121	23.0	73	15.1	270	14.5
Constant throughout the year	13	1.5	26	4.9	12	2.5	51	2.7
None	0	0.0	0	0.0	4	0.8	4	0.2
Total	**858**	**100.0**	**526**	**100.0**	**484**	**100.0**	**1868**	**100.0**

Table A4: Months of High Cash Income Needs by Cluster

Months of High Cash Needs	Cluster							
	Rural		Urban		Peri-urban		Total	
	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster
January	294	38.9	198	38.2	160	46.2	652	40.2
December	245	32.5	149	28.7	142	41.0	536	33.1
November	235	31.1	124	23.9	100	28.9	459	28.3
February	192	25.4	125	24.1	87	25.1	404	24.9
October	151	20.0	85	16.4	59	17.1	295	18.2
July	84	11.1	38	7.3	23	6.6	145	9.0
August	84	11.1	50	9.6	26	7.5	160	9.9
September	81	10.7	49	9.4	23	6.6	153	9.4
June	67	8.9	36	6.9	24	6.9	127	7.8
March	66	8.7	56	10.8	28	8.1	150	9.3
Irregular	51	6.8	61	11.8	21	6.1	133	8.2
April	43	5.7	41	7.9	26	7.5	110	6.8
May	35	4.6	27	5.2	13	3.8	75	4.6
Constant throughout the year	7	0.9	5	1.0	3	0.9	15	0.9
None	1	0.1	1	0.2	1	0.3	3	0.2
Total	**755**	**100.0**	**519**	**100.0**	**346**	**100.0**	**1620**	**100.0**

Table A5a: Reasons for saving with the bank

Reasons	Freq	Percentage
Safe/secure	518	63.8
To avoid unnecessary spending	157	19.3
Easy to access during emergencies	31	3.8
Attractive interest rates	22	2.7
To be used in future	21	2.6
To get loan	16	2.0
For receiving salary	15	1.8
For day to day needs	11	1.4
To earn profits	6	0.7
To be used by children in future	5	0.6
Just a preference	3	0.4
Money multiplies fast	2	0.2
No charges incurred	1	0.1
Has enough money	1	0.1
Get large sums of money	1	0.1
Agricultural purposes	1	0.1
To receive loan from MFI	1	0.1
Total	812	100.0

Table A5b: Reasons for Saving in Form of Bank Account by Livelihood Activity

	Real estate	Small scale business/ petty trading	Formal employement nt	Informal employment/ca sual labour	Crop sales	Farmin g	Big busin ess	Total
To avoid unnecessary spending	2	54	56	11	5	19	10	157
Safe/secure	6	166	180	15	17	63	71	518
Attractive interest rates	2	8	6	0	4	1	1	22
Easy to access during emergencies	0	11	8	1	1	7	3	31
To be used by children in future	0	0	4	0	0	1	0	5
For day to day needs	0	6	4	0	0	1	0	11
No charges incurred	0	1	0	0	0	0	0	1
Has enough money	0	0	1	0	0	0	0	1
To earn profits	1	2	2	0	0	0	1	6
For receiving	0	1	12	1	0	1	0	15

salary								
Money multiplies fast	0	0	0	0	0	1	1	2
Just a preference	0	0	2	0	0	1	0	3
To be used in future	0	6	9	0	1	3	2	21
Get large sums of money	0	0	0	0	1	0	0	1
To get loan	0	6	6	0	2	1	1	16
Agricultural purposes	0	0	0	0	0	1	0	1
To receive loan from MFI	0	0	0	0	0	1	0	1
Total	11	261	290	28	31	101	90	812

Table A6: Months of Most Savings by Cluster

Months	Rural Freq	Rural % within cluster	Urban Freq	Urban % within cluster	Peri-urban Freq	Peri-urban % within cluster	Total Freq	Total % within Total
January	50	8.0	18	4.4	15	5.5	83	6.4
February	48	7.7	12	2.9	8	2.9	68	5.2
March	56	9.0	23	5.6	23	8.4	102	7.8
April	99	15.9	65	15.9	51	18.6	215	16.5
May	157	25.2	111	27.1	69	25.2	337	25.8
June	233	37.5	146	35.6	106	38.7	485	37.1
July	224	36.0	117	28.5	106	38.7	447	34.2
August	124	19.9	68	16.6	63	23.0	255	19.5
September	59	9.5	40	9.8	30	10.9	129	9.9
October	61	9.8	32	7.8	24	8.8	117	9.0
November	48	7.7	45	11.0	16	5.8	109	8.3
December	77	12.4	83	20.2	25	9.1	185	14.2
Irregular	48	7.7	31	7.6	34	12.4	113	8.7
Throughout the year	16	2.6	29	7.1	10	3.6	55	4.2
Constant	9	1.4	6	1.5	0	0.0	15	1.1
None	0	0.0	0	0.0	1	0.4	1	0.1
Total	**622**	**100.0**	**410**	**100.0**	**274**	**100.0**	**1306**	**100.0**

Table A7: Main activities/sources of income during peak periods

Main Activities	Rural Freq	Rural % within cluster	Urban Freq	Urban % within cluster	Peri-urban Freq	Peri-urban % within cluster	Total Freq	Total % within total
Small-scale business	245	40.2	232	54.3	139	48.9	616	46.6
Crop sales/farming	329	53.9	71	16.6	90	31.7	490	37.1
Formal employment	54	8.9	91	21.3	35	12.3	180	13.6
Skilled work (e.g. carpentry)	19	3.1	42	9.8	17	6.0	78	5.9
Informal employment	9	1.5	33	7.7	4	1.4	46	3.5
Big business	13	2.1	13	3.0	8	2.8	34	2.6
Casual labour	17	2.8	10	2.3	2	0.7	29	2.2
Remittances from relatives	4	0.7	0	0.0	22	7.7	26	2.0
Livestock sales	20	3.3	0	0.0	1	0.4	21	1.6
Income from real estate	4	0.7	5	1.2	5	1.8	14	1.1

	5	0.8	6	1.4	2	0.7	13	1.0
Bonus	5	0.8	6	1.4	2	0.7	13	1.0
Transportation of agricultural produce	2	0.3	3	0.7	3	1.1	8	0.6
Salary increment	0	0.0	2	0.5	1	0.4	3	0.2
Total	610	100.0	427	100.0	284	100.0	1321	100.0

Table A8: Conditions necessary to open a bank account

	Cluster							
	Rural		Urban		Peri-urban		Total	
Conditions for making savings	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster
Loans for small businesses	398	68.2	224	73.2	177	70.2	799	70.0
High interest rate on savings	285	48.8	149	48.7	141	56.0	575	50.4
Loans for buying agricultural inputs	255	43.7	92	30.1	81	32.1	428	37.5
Proximity to the bank	188	32.2	46	15.0	44	17.5	278	24.3
No bank charges	154	26.4	88	28.8	81	32.1	323	28.3
Loans for other household needs including school fees	124	21.2	71	23.2	41	16.3	236	20.7
Awareness/civic edution on how/why to open an account	32	5.5	15	4.9	1	0.4	48	4.2
Good network at ATM machines	4	0.7	6	2.0	12	4.8	22	1.9
Improve on customer care	10	1.7	4	1.3	2	0.8	16	1.4
Reduced opening balance	6	1.0	3	1.0	7	2.8	16	1.4
Eliminate some procedures to make process simple	6	1.0	6	2.0	1	0.4	13	1.1
No collateral for loans	4	0.7	6	2.0	1	0.4	11	1.0
Improve ATM cash withdraw limit	5	0.9	2	0.7	1	0.4	8	0.7
The current conditions are ok	2	0.3	2	0.7	1	0.4	5	0.4
As long as there is enough money	0	0.0	2	0.7	1	0.4	3	0.3
Smallholder farmers should be offered conducive envionment	0	0.0	1	0.3	1	0.4	2	0.2
Provide forex services	0	0.0	1	0.3	0	0.0	1	0.1
Total	584	100.0	306	100.0	252	100.0	1142	100.0

Table A9: Reasons for not Operating a Bank Account

Reasons	Cluster							
	Rural		Urban		Peri-urban		Total	
	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster
Do not have enough money to save	331	71.8	149	67.4	109	68.6	589	70.0
Do not know the procedures to open an account	32	6.9	7	3.2	5	3.1	44	5.2
Banks not available in our area	32	6.9	4	1.8	5	3.1	41	4.9
Distance to the bank	20	4.3	6	2.7	4	2.5	30	3.6
No specific reasons	14	3.0	5	2.3	6	3.8	25	3.0
Too many procedures and becomes a burden	13	2.8	8	3.6	6	3.8	27	3.2
Opening balance is high	13	2.8	9	4.1	3	1.9	25	3.0
High bank charges	11	2.4	17	7.7	6	3.8	34	4.0
Difficult to access the money	11	2.4	8	3.6	7	4.4	26	3.1
No motivation	10	2.2	7	3.2	6	3.8	23	2.7
Low interests on savings	7	1.5	6	2.7	6	3.8	19	2.3
Lack of interest	6	1.3	9	4.1	6	3.8	21	2.5
Never thought about it	6	1.3	9	4.1	1	0.6	16	1.9
Total	461	100.0	221	100.0	159	100.0	841	100.0

Table A10: Ways of Meeting Basic Needs during Months of Least Cash by Cluster

Means of Meeting Basic Needs	Cluster							
	Rural		Urban		Peri-urban		Total	
	Freq	% within cluster	Freq	% within cluster	Freq	% within cluster	Freq	% within total
Casual labour	214	28.7	55	11.3	43	12.8	312	19.9
Small scale business	163	21.9	139	28.5	76	22.6	378	24.1
Use savings	72	9.7	38	7.8	35	10.4	145	9.2
Sell farm produce	65	8.7	5	1.0	15	4.5	85	5.4
Minimize spending on luxuries	65	8.7	84	17.2	45	13.4	194	12.4
Use food from farming	43	5.8	9	1.8	23	6.8	75	4.8
Salary from formal employment	42	5.6	48	9.8	41	12.2	131	8.3
Borrowing from friends	30	4.0	56	11.5	15	4.5	101	6.4
Selling livestock	26	3.5	0	0.0	2	0.6	28	1.8
Always have basic needs	20	2.7	8	1.6	18	5.3	46	2.9
Change type of business	12	1.6	8	1.6	13	3.9	33	2.1
Salary from informal	9	1.2	11	2.3	8	2.4	28	1.8

	Freq	%	Freq	%	Freq	%	Freq	%
employment								
No specific mechanism	8	1.1	14	2.9	5	1.5	27	1.7
Change eating habits	6	0.8	3	0.6	2	0.6	11	0.7
Use savings	6	0.8	20	4.1	15	4.5	41	2.6
Remittances	6	0.8	16	3.3	5	1.5	27	1.7
Borrowing from bank	4	0.5	3	0.6	5	1.5	12	0.8
Selling assets	4	0.5	1	0.2	0	0.0	5	0.3
Income from real estates	3	0.4	6	1.2	3	0.9	12	0.8
Takes whatever God provides	2	0.3	8	1.6	4	1.2	14	0.9
Katapila	1	0.1	0	0.0	0	0.0	1	0.1
Seek advance payment	0	0.0	1	0.2	0	0.0	1	0.1
Total	**745**	**100.0**	**488**	**100.0**	**337**	**100.0**	**1570**	**100.0**

Note: Percentages and totals are based on respondents

Table A11: Knowledge of Banks and MFIs by Respondents by Cluster

	Cluster							
	Rural		**Urban**		**Peri-urban**		**Total**	
	Freq	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**
OIBM	346	50.1	341	66.6	192	57.3	879	57.2
NBM	316	45.7	327	63.9	152	45.4	795	51.7
NBS	254	36.8	257	50.2	196	58.5	707	46.0
Standard Bank	226	32.7	229	44.7	142	42.4	597	38.8
FINCA	222	32.1	182	35.5	144	43.0	548	35.6
MSB	178	25.8	137	26.8	114	34.0	429	27.9
MRFC	151	21.9	50	9.8	94	28.1	295	19.2
MARDEF	115	16.6	62	12.1	47	14.0	224	14.6
INDE Bank	62	9.0	75	14.6	50	14.9	187	12.2
FMB	60	8.7	62	12.1	55	16.4	177	11.5
Microloan Foundation	37	5.4	22	4.3	67	20.0	126	8.2
Pride Malawi	20	2.9	45	8.8	55	16.4	120	7.8
SACCO	64	9.3	35	6.8	18	5.4	117	7.6
CUMO	68	9.8	7	1.4	24	7.2	99	6.4
RBM	21	3.0	26	5.1	4	1.2	51	3.3
FINCOOP	20	2.9	19	3.7	3	0.9	42	2.7
NABW	17	2.5	12	2.3	7	2.1	36	2.3
CARE	10	1.4	0	0.0	9	2.7	19	1.2
Green wing	7	1.0	9	1.8	14	4.2	30	2.0
MASAF	6	0.9	0	0.0	0	0.0	6	0.4
FITSE	5	0.7	0	0.0	0	0.0	5	0.3
NEDBANK	5	0.7	17	3.3	1	0.3	23	1.5
Blue	4	0.6	12	2.3	4	1.2	20	1.3
Ecobank	2	0.3	6	1.2	0	0.0	8	0.5
CDH	1	0.1	0	0.0	0	0.0	1	0.1

		691	100.0	512	100.0	335	100.0	1538	100.0
Total		**691**	**100.0**	**512**	**100.0**	**335**	**100.0**	**1538**	**100.0**

Table A12: MFI providing Financial services (multiple response- Frequencies Only)

	Cluster				
MFIs	Rural	Urban	Peri-urban	Total	% of respondents
FINCA	17	14	12	43	19.1
MRFC	17	4	9	30	13.3
SACCO/VSL	9	10	3	22	9.8
Pride Malawi	2	8	10	20	8.9
MARDEF	8	6	6	20	8.9
CUMO	13	0	4	17	7.6
Microloan	5	3	7	15	6.7
Blue	1	5	6	12	5.3
Farmer					
organizations	8	3	1	12	5.3
OIBM	6	2	3	11	4.9
FINCOOP	4	5	2	11	4.9
Green wing	2	7	2	11	4.9
CARE	4	0	4	8	3.6
IZWE	1	2	0	3	1.3
Can not remember	3	1	0	4	1.8
Total	96	64	65	225	

5.2   Household Questionnaire

Assessment of Household Saving Behaviour and Access to Financial Services in Malawi

Household Questionnaire

"My name is …..… from Bunda College of Agriculture. I am not alone, there are several of us. We are carrying out a research project led by Dr Phiri our lecturer. The main objective of the research is to understand your livelihood in general but specifically, we would like to understand your main livelihood activities, income sources, income uses, access to financial services and types of bank accounts that you may have.

I will ask you a few questions and I would like you to be open. The information collected from you will only be used to answer our research questions and will remain confidential. Where you do not fully understand the question, please ask me to clarify.

Region   North = 1, Centre = 2, South = 3

District_____

Cluster: Rural = 1, Urban   = 2,   Peri-urban   = 3.

Name Trading Centre (Rural Area)_____

Name of City (Urban Area)_____

Name of Peri-Urban Area_____

Name of Respondent_____

Age of Respondent_____

Gender of Respondent: Male = 1, Female = 2

Education Level of Respondent:_____

Marital Status: Single = 1, Married = 2, Divorced = 3, Widowed = 4, Widower = 5
            Other, specify = 6_____

Bread winner: Husband=1, Wife =2, Both = 3

Decision maker on financial matters: Husband=1 Wife=2, both=3

Household size_____

Name of Enumerator_____

Date of Survey |___|___|___|___|___|___|___|___|

Guide to Enumerators: Most of the questions are open ended. This means that you have to probe for as many responses as possible for each of those questions without guiding the respondent.

A.   MAIN HOUSEHOLD LIVELIHOOD ACTIVITIES AND INCOME

1.   Would you please tell me what you do to make a living? (*Here we are looking at activities you do. This could be getting money from petty trading, or trading crops, or trading livestock with others etc).*

Main Livelihood activity	Ranking	Annual Income

2. Do you ever get any income from members of the household living outside the household?   1 = Yes, 2 = No

3. If yes, how often do you receive such income?
   1 = Monthly; 2 = 3 – 4 times a year; 3 = irregularly

4. How much do you receive per year, on average of these incomes/remittances?

   1 = < MK1, 000; 2 = MK1001 – 3000; 3 = MK3001 – 5000; 4 = > MK5, 000

5. During which month of the year do you earn the highest cash income?

   1=January; 2=Feb; 3=March; 4= April; 5= May; 6= June; 7= July; 8= August
   9=September 10=October; 11=November; 12=December; 13 = Irregular

6. What are the sources of the cash income mentioned in question (5) above?

Month/Irregular	Sources of highest cash income

7. What do you usually do when you have such large sums of money?

   _____

   _____

   _____

8. During which month of the year do you normally have the least cash income?

1=January 2=Feb 3=March 4= April 5= May 6=June 7=July 8=August
9=September 10=October 11=November 12=December

9.   How do you meet your basic needs during this period?

    _____

    _____

10.   During which months of the year do you have the highest cash income needs?
      (Note: Possibility of multiple responses)

      1 = Jan; 2= Feb; 3= March; 4 = April; 5= May; 6=June; 7=July; 8=August; 9=Sept
      10= October;11= November; 12= December; 13 = Irregular

11.   What are the main expenditure needs that give rise to this high need for cash
      income? *(Rank them from highest to least, 1, 2, 3 - etc)*.

Month of high cash need	Main Expenditure Needs	Whether Have enough cash to meet the needs	If no, how do you meet the cash deficit?
Jan			
February			
March			
April			
May			
June			
July			
August			
September			
October			

November			
December			
Irregular			

B. **HOUSEHOLD SAVING BEHAVIOUR**

Note for enumerators: I will now ask you a few questions concerning savings. Enlighten the respondents what the term "savings" means in the context of the study

1. Do you have any means of making some savings? 1 = Yes, 2 = No **(If No, go to Q7)**

2. If yes, in what form are most of these savings? *(Rank and possibility of multiple responses)*

    Bank account; - Bought some livestock; - Bought some land; - In the house; Katapila; -Village SACCO/VSL; -Chipereganyo; - Start a business a business; Others, specify_____

3. Could please give reasons for saving money in the forms that you do?

Form of saving	Reasons for the choice of the form of saving
Bank account;	
Bought some livestock	
Bought some land;	
In the house;	
Katapila;	
Village SACCO/VSL	
Chipereganyo	

Start a business	
Other forms (Specify)	

4.   Why did you decide to make some savings?

_____

_____

_____

5   During which month of the year do you make most of your savings?
   1 = Jan; 2=Feb; 3= March; 4 = April; 5= May; 6=June; 7=July; 8=August; 9=Sept
   10= October; 11= November; 12= December

6.   What are the main activities or sources of income that earn you the incomes that you save during these peak periods?

_____

_____

_____

7.   **From Question 1:** Why don't you make any savings?

_____

_____

_____

8.   People have different reasons for not operating a savings bank account. For what reasons don't you operate a savings bank account?

_____

_____

_____

9.   Under what conditions would you be willing to open a savings account with a bank? *(Read out only if the respondent cannot give responses and ask them to rank the conditions)*

1 =   The bank should offer high interest rate on savings
2 =   The bank should also offer loans for small businesses
3 =   The bank should also offer loans for buying agricultural inputs

4 =   The bank should also offer loans for other household needs including school
        fees
5 =   Proximity to the bank
6 =   No bank charges
7 =   Other conditions, specify_____

_____

10.   Have you ever operated a savings bank account before? 1 = Yes; 2 = No
11.   If yes, why did you discontinue operating the savings account?

_____

_____

C.   ACCESS TO FINANCIAL SERVICES

1.   Please give me some of the names of banks/MFI that you know and the services
        they offer.

Name of Bank/MFI you know	Type of Services they provide

2.   Do you operate any bank account? 1 = Yes, 2 = No *(Remember   that   these
        people may have a savings account with a Bank)*

3.   If yes, how many accounts do you have?_____

_____

4.   Could you give me the types of these accounts and indicate the bank. On which
        accounts if any do you earn some interest?_

Type of Account	Bank where it is held	Accounts on which you earn some interest

5. People have different reasons for operating a bank account. Could you give me reasons for operating each one of your bank accounts?

Type of Account	Reasons for operating it

6. In no to Q2, why don't you operate a bank account?

_____

_____

7. Do you receive some financial services from any Micro Finance Institution?

    1 = Yes, 2 = No

8. If yes, which MFIs do you receive financial services from and what are these services?

Name of MFI	Type of Services Received

9. Does your access to MFI financial services affect you in any way to seek bank services?

    1 = Yes, 2 = No

10. If yes, in what ways does this affect your demand for bank services?

    _____